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THE NATIONAL ASSEMBLY	
DATE: 18 APR 2023	
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CLERK-AT-THE-TABLE:	Ann Shubuka

REPORT

OF

THE AUDITOR-GENERAL

ON

PROVIDENT FUND

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

THE NATIONAL TREASURY

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

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PENSION FUND NAME: PROVIDENT FUND

THE NATIONAL TREASURY

FUND IDENTIFICATION NUMBER: 903

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2022

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

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1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

“Excellence in economic and public financial management, and development planning”.

Mission

“To provide leadership in economic and public financial management, for shared growth through formulation, implementation and monitoring of economic and financial policies”.

Core Values

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork all geared towards excellence in service delivery.

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;

- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments;
- Assist county governments to develop their capacity for efficient, effective and transparent financial management;
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities; and
- Coordination and integration of public ports, railway and pipeline services.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Management

The National Treasury day-to-day management is under the following key offices;

Office of the Principal Secretary

The Office of the Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the accounting officer. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility.

Organizational structure of the National Treasury

The National Treasury is organized into five (5) technical Directorates headed by Directors General and (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 Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. 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:

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- 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:

- Government Accounting Services;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.
- Government Digital Payments Unit.

Directorate of Portfolio Management

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

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;
- Pensions Department.
- Public Investment Management Unit

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:

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

Directorate of Public Private Partnership Unit

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 twelve (12) 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:

- Accounting,
- Finance,
- Human Resource Management and Development,
- Central Planning and Project Monitoring,
- Supply Chain Management,
- Legal,
- Public Communications,
- General Administration,
- Records Management;
- Internal Audit;
- ICT
- Government Clearing Agency

(C) Fiduciary Management

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

NO.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Ag. Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Deputy Internal Auditor General	Ms. Jane Micheni
14.	Ag Director, Government Accounting Services Department	Mr. Jona Wala,
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Director, Financial Management Information System	Mr. Stanley Kamanguya, OGW
17.	Director, National Assets and Liability Management	Mrs. Veronicah Okoth
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Secretary Administration	Mr. Hiram Kahiro, OGW
24.	Head, Accounts Division	Mr. Nemwel Motanya
25.	Head, Finance	Mr. Ambrose Ogango
26.	Head, SCM	Mr. Aggrey kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
31.	Head, Public Communications	Ms. Catherine Njoroge
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(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:

Internal Audit Unit

The National Treasury has an internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk-

based audits. The Unit reports directly to the Accounting Officer on a regular basis.

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 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.

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 in consultation with the Office of the Chief Administrative 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.

Other fiduciary oversight arrangements include the following committees with specific objectives;

Top Management Committee and Other Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top 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 2020/21.

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.

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 Planning. The Principal Secretaries for the National Treasury and State Department of 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.

Monitoring and Evaluation

The Ministry 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 Headquarters

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Nairobi Kenya

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The National Treasury Bankers

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Office of the Auditor General

Anniversary Towers, University Way

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GPO 00100

Nairobi, Kenya

Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

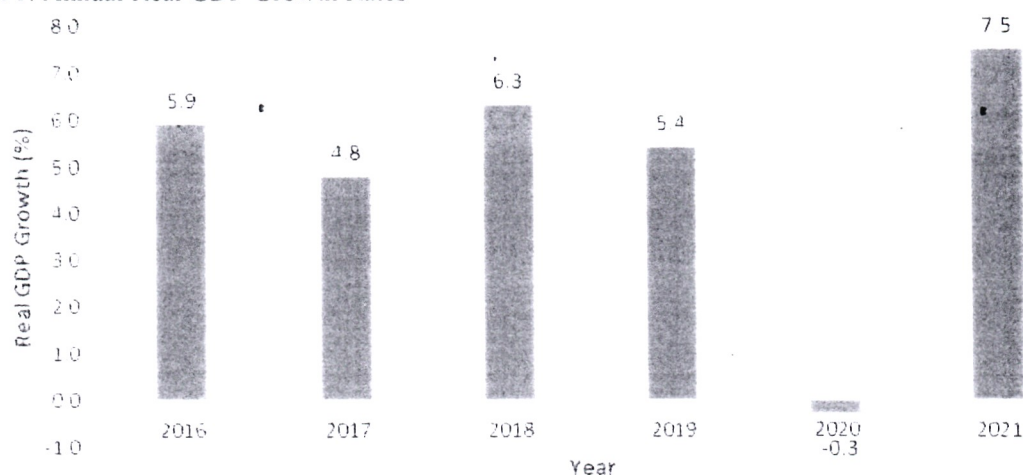
Nairobi, Kenya

2.1. FOREWORD 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 Kenyan economy demonstrated remarkable resilience to the COVID-19 shock and expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (Chart 1). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

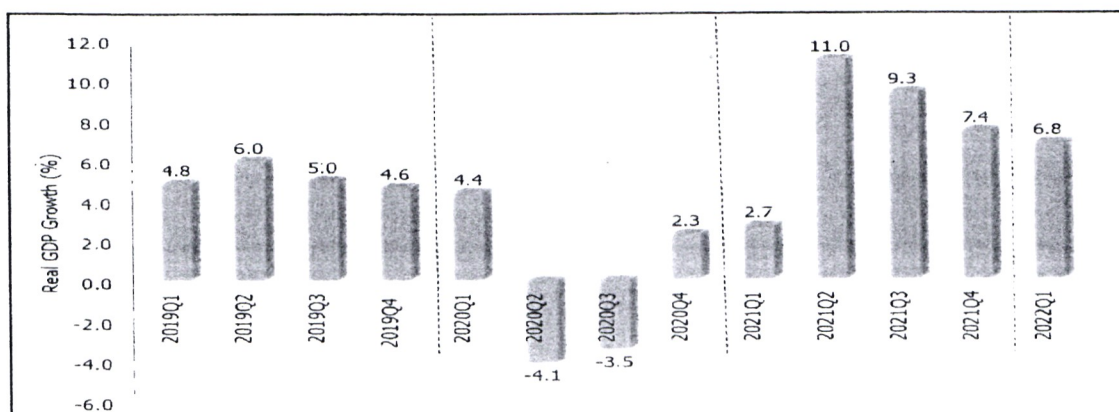
Chart 1: Annual Real GDP Growth Rates



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021 (Chart 2). The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance sectors.

Chart 2: Quarterly Real GDP Growth Rates



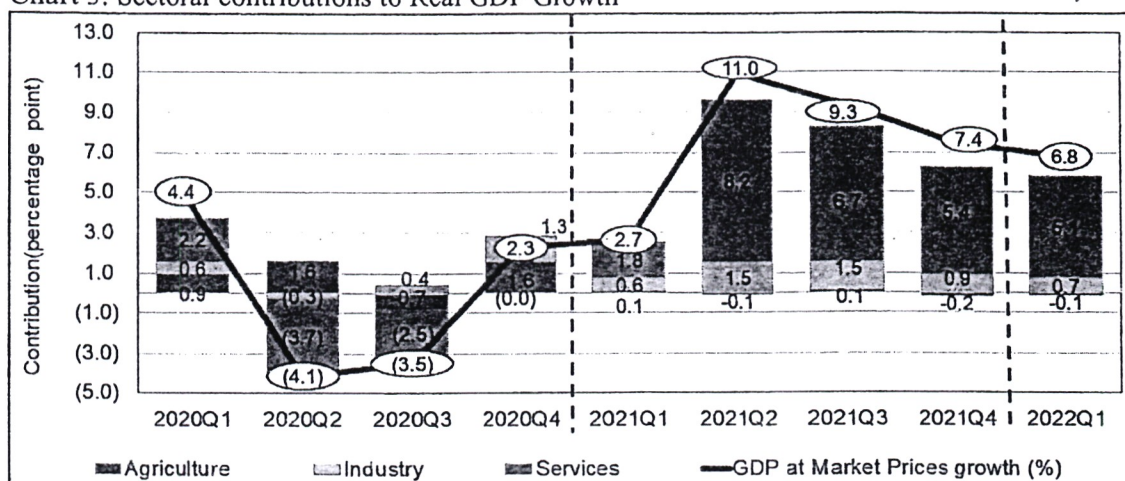
Data Source: National Treasury: *Quarterly Economic and Budgetary Review, September, 2022*

Sectoral Growth rates

Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector's performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector's contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021 (Chart 3).

The biggest contribution to the growth was recorded in the Services Sector. The recovery of activities in the services sector continued in the first quarter of 2022. The sector grew by 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent in the same quarter in 2021. The strong growth was largely characterized by significant recovery in transportation and Storage (8.1 percent), accommodation and food services (56.2 percent) and Professional, Administrative and Support Services (14.9 percent). The sector was also supported by strong growths in financial and insurance services (14.4 percent), and wholesale and retail trade (8.7 percent). The services sector contributed 5.1 percentage point to real GDP growth in the first quarter of 2022 compared to the 1.8 percentage point contribution in the same quarter in 2021.

Chart 3: Sectoral contributions to Real GDP Growth



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

Additionally, activities in the manufacturing sub-sector were more vibrant in the first quarter of 2022 compared to the same quarter in 2021. The sub-sector grew by 3.7 percent in the first quarter of 2022 compared to a 2.1 percent growth in 2021. The improved performance was supported by both the food and non-food components. The food component that registered substantial growth was processing of coffee while the non-food component growth was supported by substantial growth in cement production.

Inflation

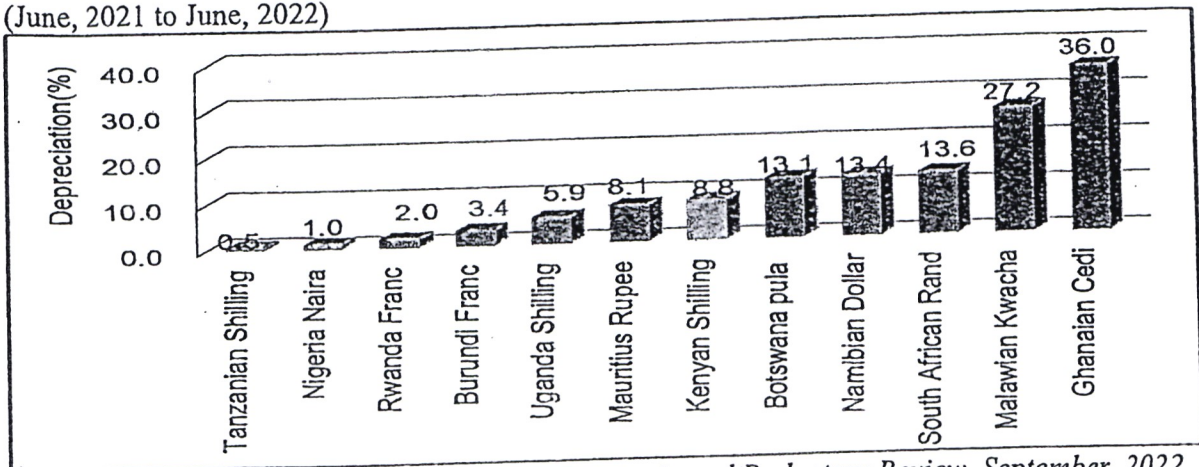
The year-on-year inflation rate increased to 7.9 percent in June 2022 (slightly above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. Notwithstanding this, the increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the recent waiver of import duties and levies on white maize, the subsidy on retail prices of sifted maize flour, and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.3 percent in June 2022 compared to the 5.3 percent recorded in June 2021.

Exchange Rates

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar. The Kenya Shilling to the US Dollar exchanged at KSh. 117.3 in June 2022 compared to KSh. 107.8 in June 2021. Over the same period, the Euro exchanged at KSh. 124.1 compared to KSh. 130.1 while the Sterling Pound exchanged at KSh. 144.8 compared to KSh. 151.5.

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 8.8 percent against the US Dollar (Chart 4). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, Namibian Dollar, South African Rand, Malawi Kwacha and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

Chart 4. Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June, 2021 to June, 2022)



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will:

1. Scale-up the COVID-19 response;
2. Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path;
3. Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and,
4. Strengthen monetary policy framework and support financial stability.

HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND PLANNING

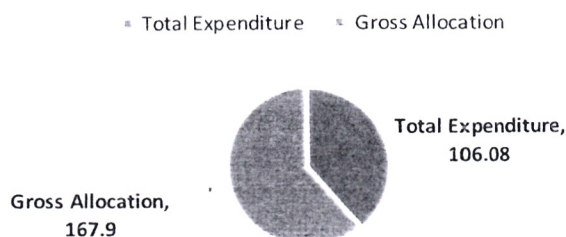
2.2. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

The National Treasury expenditure for the FY 2021/22 stood at KSh. 106.08 billion against an approved budget of KSh. 167.9 billion translating to an overall absorption rate of 63 percent as demonstrated in that pie chart below.

Chart 5: Total Allocation against Total Expenditure (KSh. Billion)

Total Allocations against Total Expenditure (KSh. Billions)



The National Treasury implemented the 2021/22 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling Business Environment, Government Clearing Services, Rail Transport and Marine Transport. The latter two programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services.

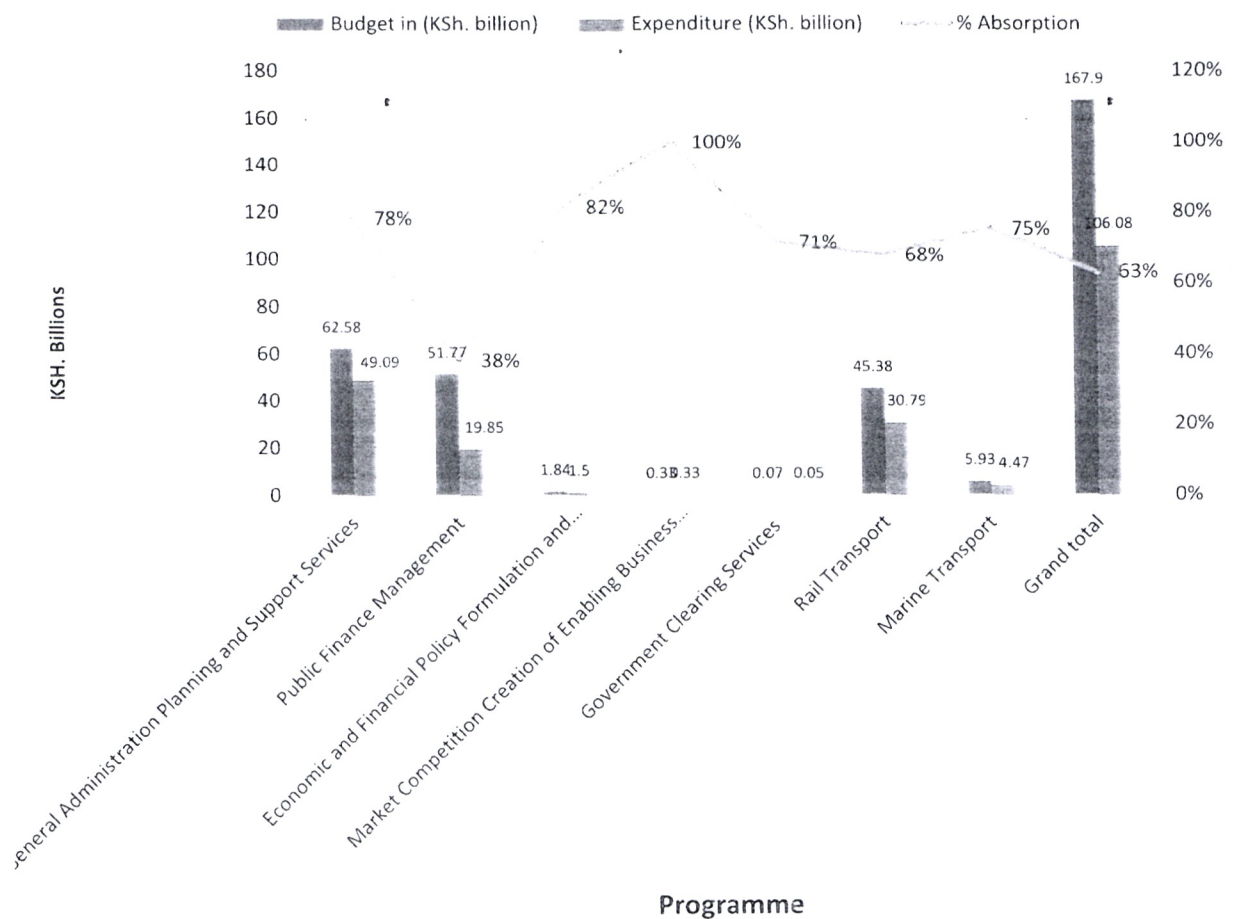
As demonstrated in the bar chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 100 percent followed by Economic and Financial Policy Formulation and Management at 82 percent, General Administration at 78 percent, Marine Transport 75 percent, Government Clearing Service at 71 percent, Rail Transport at 68 percent, and Public Financial Management at 38 percent. The 100 percent absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.

The low absorption rate in Public Financial Management programme relates to lower than anticipated execution on the following sub-programmes; Resource Mobilization, Budget Formulation, Coordination and Management, and Government Investment and Assets. The underperformance in Resource Mobilization sub-programme is attributed to a number of factors relating to implementation of externally funded projects. These include delay in granting of letter of 'no objection' from Development Partner funding Aid Effectiveness project, delay in restructuring and signing of contracts under the Infrastructure Finance for Public Private Partnerships project, lengthy procurement processes relating to Global Fund commodities, and delay in approval of County Allocation of Revenue Act 2021 to enable execution of budget under the Kenya Financing Locally-led Climate Action Programme.

Under Budget formulation sub-programme, the Equalization Fund budgetary allocation for FY 2021/22 of KSh. 6,825,317,433 was not transferred to the Equalization Fund bank account due to lack of an appropriate legal framework that enable disbursement of funds to beneficiaries counties. Under the Government Investments and Assets sub-Programme, Kenya Airways did not place a request for the transfer of KSh. 13.9 billion intially earmarked for the entity by the closure of the Financial Year.

Chart 6: Budget Execution (KSh. Billions) and proportion (%) by Programme

Budget Execution (KSh. Billions) and Absorption (%) by Programmes



Key Achievements

Enhanced Revenue Collection

The economic recovery underway coupled with improved business environment resulted to a strong rebound in revenue collection. As at end June 2022, ordinary revenues amounted to Ksh.1.919 trillion recording an above target collection of Ksh 67.5 billion. This performance is a growth of 22.9 percent over the previous year

Other key achievements during the period under review are as follows;

- i. Developed the Draft National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy;
- ii. Developed the draft information security (PFM Systems) policy to provide guidelines for the holistic management of information security risks within PFM systems operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security;
- iii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iv. Developed the processes and procedures manual for Credit Guarantee Scheme;
- v. Mobilized over KSh. 10 billion for HIV, TB and Malaria interventions;
- vi. Developed the debt risk management framework;
- vii. Mobilized external resources amounting to Kshs.14 billion for the purposes of financing COVID 19 vaccine acquisition, procurement, deployment and other related health interventions aimed at mitigating the effects of COVID 19 Pandemic;
- viii. Developed the e- Government Procurement System.

Emerging Issues

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

- Transition to new Government will require re-alignment of the existing plans and strategies to accommodate Emerging Priorities under the new administration.
- Leveraging on ICT innovations in the delivery of services to the citizenry.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.

- Eastern Europe Conflict: - the ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices.

Challenges

Some of the challenges the National Treasury faced while implementing the 2021/22 budget include:-

- Resource Constraint

The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes on training, hospitality, transfer of conditional grants to County Governments and to semi-autonomous Agencies (SAGAs). The underperformance in revenue also caused delays in disbursement of funds by the National Treasury to MCDAs. The underperformance of county governments own source revenue led to overreliance on transfers from the National Government occasioning more pressure on the exchequer.

- Inflationary pressures

The country experienced inflationary shocks that pushed the year-on-year inflation rate above the upper bound target due to higher food and fuel process occasioned by global increases in prices of imported commodities.

- Shortage of Key Technical Staff

Despite recruitment of staff across certain cadres such as Economists and Accountants, the National Treasury continues to experience staff shortage across all cadres. 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.

- Shortage of office space especially for key technical staff; and,
- Inadequate resourcing of the Monitoring and Evaluation function;

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

- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,
- The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including:

*The National Treasury & Planning
Provident Fund*

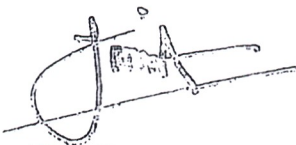
Annual Report and Financial Statements For the year ended 30 June, 2022

- i) Subsidizing fuel pump prices;
 - ii) Waiving of taxes, fees and charges on maize and animal feeds imported into the country;
 - iii) Setting aside KSh. 3.0 billion in April-June, 2022 for a fertiliser subsidy to support farmers during the last planting season, with a further KSh. 2.7 billion set aside for the next planting season in October, 2022.
 - iv) Reducing electricity tariffs by 15 percent to lower the cost of power.
- Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions.
 - Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

- Increasing allocation to the National Treasury to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 Economic Recovery Strategy and emerging Government priorities;
- Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- Sustained implementation of succession planning, especially with respect to recruitment of key technical staff;
- Strengthening Monitoring and Evaluation Framework and capacity;
- Continued leveraging on ICT to ensure timely delivery of targets;
- Enhancing working environment and sustained refurbishment of offices to provide accommodation of staff.
- Prioritization of ongoing projects and fast tracking to ensure timely completion.

Going forward, the National Treasury will implement a risk management strategy that will identify, monitor and control risks associated to its activities. This will include government investments and cash flows, banking, money markets and capital market transactions as well as borrowing.



JULIUS M. MUIA, PhD, CBS
PRINCIPAL SECRETARY/ NATIONAL TREASURY

3.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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 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;
- 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 reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

MDA Program	Strategic Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services.	To enhance institutional and human resource capacity for quality delivery of services	Efficient and effective service delivery	No. of vehicles leased	3,528 security vehicles were leased for the National Police Service towards enhancing security
			Government Investments Management Information System (GIMIS)	Developed one Government Investments Management Information System (GIMIS)
			% level of compliance to PSSS	On Boarded and maintained all Permanent and Pensionable (P&P) Public servants of age 45 years and below in the Public Service Super Annuation Scheme (PSSS)
			No. of Pension claims processed	27,117 pensions claims have been processed within 60 days of submission.
Public Financial Management	To increase the reliability, stability and soundness of the	Increased reliability and soundness of the financial sector	Annual National Budget presented to Parliament by 30th April 2022	Budget presented to parliament.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
	financial sector		Amount mobilized in KSh. (Billion)	A total of KSh. 112.1 billion worth of private capital was mobilized following private sector investments of four PPP projects. namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of PPP projects approved	Four (4) PPP projects were approved namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of Registered AGPO Enterprises	Registered 20,488 AGPO Enterprises
			No. of Strategies	Developed one Medium Term debt strategy.
			No. of VFM Audits reports	Conducted 205 Value for Money Audits due to increased requests for special audit by MDAs.
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Real GDP growth rate (%)	6.8 %
			Inflation rate (%)	7.9%
			Months of import cover	4.9 months of import cover
			% of fiscal deficit	(6.4) % of GDP
			No. of Policies	Developed the Kenya Digital Finance Policy 2022, Draft National Insurance Policy 2021, Kenya credit and Draft Guarantee Policy 2022.
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2022 & Division of Revenue Bill (DORB) 2022.
			No. of Clients accessing Agricultural Finance Corporation loans	A total of 193,516 client outreach was achieved in both wholesale and retail lending

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			Value Capital injected into the Credit Guarantee Scheme (CGS) in KSh. (Billions)	<p>The Government allocated an initial seed capital of KSh.3 billion toward the inaugural CGS for MSME.</p> <p>As at 31st July, 2022, the Scheme had facilitated private sector lending to the 11 sectors of the economy, as designated by CBK. MSMEs across 46 counties had benefited from credit facilities guaranteed under the Scheme. All categories of MSMEs have been able to access credit under the Scheme. During the same period, approximately KSh. 4.03 billion was lent out to target beneficiaries.</p>
			No. of legal frameworks on financial services sector developed	38 Counties have established their County Climate Change Funds (CCCFs) and opened special purpose accounts to receive the Program Grants.
			No. of Counties with CCF operationalized for the FY 2021/22	40 counties have developed county climate change laws i.e., County Climate Change Acts and County Climate Change Fund Acts. In addition, twelve (12) counties have developed County Climate Finance Polices.
Market Competition and Creation of an Enabling Business Environment	To promote and sustain competition	Sustained high productivity and competitive markets	% of consumer complaints on competition investigated	100% of the consumer complaints investigated and 64% Consumer cases concluded
			% of Merger and acquisitions applications determined	97%
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection guidelines	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			RTP Cases concluded as a % of total Investigation	60%
			% of cases on bid rigging concluded	100%
			% Implementation of framework on consumer protection in Digital Financial Sector	100%

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The National Treasury's core values include customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Guided by the above principles, we undertaken the following:

4.1. Sustainability Strategy and Profile

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy. Some of them include; National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy; Going forward into the medium term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the Budget Policy Statement (BPS). A Debt risk Management Framework was also developed to ensure debt is maintained within sustainable levels. Towards, holistic management of information security of the PFM Systems, a draft information security (PFM Systems) policy has been developed. The Policy provides guidelines for operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security. Additionally, the National Treasury developed the processes and procedures manual for Credit Guarantee Scheme to guide in the implementation of the Scheme.

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic. stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will: Scale-up the COVID-19 response; Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path; Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and, strengthen monetary policy framework and support financial stability.

4.2. Environmental performance

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 trees in Machakos County thus contributing towards the 10 percent tree cover initiative.

4.3. 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. 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. In addition, the National Treasury continued to implement succession management plan by declaring vacant posts to be filled by the Public Service Commission. 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.

4.4. 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.

4.5. Community Engagements

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.

5. STATEMENT OF THE PROVIDENT 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 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2022, 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.

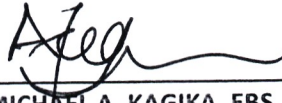
The Principal Secretary for the National Treasury indicate that the Provident Fund has ceased its operation as a going concern and is in the process of winding up.

Approval of the Pension Fund financial statements

The Provident Fund financial statements were approved by the Accounting Officer for the National Treasury on 22/11, 2022 and signed by them.



**JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY**



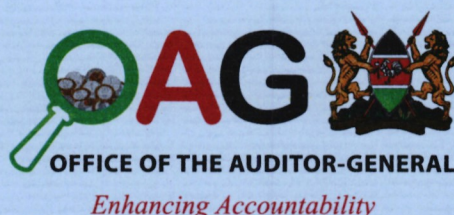
**MICHAEL A. KAGIKA, EBS
SECRETARY/DIRECTOR OF
PENSIONS**



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

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE, 2022 – THE NATIONAL TREASURY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Provident Fund set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Provident Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Other Receivables

As previously reported, the statement of financial position reflects an amount of Kshs.3,921,000 in respect of other receivables which, as disclosed in Note 9 to the financial statements, represents an amount owed by the defunct Cereals and Sugar Finance Corporation. As previously reported, the amount has been outstanding for a long-time pending conclusion of the winding up process of the Corporation. The fund may never recover the amount owed by the defunct Corporation which is likely to translate into a loss of public funds.

In the circumstances, the recoverability of other receivables amounting to Kshs.3,921,000 is doubtful.

2. 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, as previously reported, the supporting documents or analysis for the balance were not provided for review. 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 International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The National Treasury Management

in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 had 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. However, there was no evidence provided to prove that the Repeal Act had been passed by the National Assembly. The winding up of the Fund has taken an unduly long time resulting into wastage of public resources.

My opinion is not modified in respect of the above 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

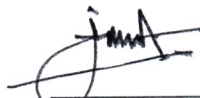
Nairobi

23 December, 2022

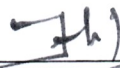
7. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE, 2022

	Notes	2021/2022 Kshs.	2020/2021 Kshs.
Revenue			
Dividend Income	6	28,279,101	3,716,552
Other receipts		-	-
Total receipts		28,279,101	3,716,552
Expenses			
Payments of Pensions	7	-	-
Total expenses			
Surplus/(deficit) for the year		<u>28,279,101</u>	<u>3,716,552</u>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 22/11, 2022 and signed by:



JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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

8. STATEMENT OF FINANCIAL POSITION AT 30 JUNE, 2022

	Notes	2021/2022 Kshs.	2020/2021 Kshs.
Assets			
Non- current Assets			
Investments	8	46,133,457	46,133,457
Sub Total		46,133,457	46,133,457
Current Assets			
Other Receivables	9	3,921,000	13,806,771
Bank Balances	10	925,839,507	887,674,635
Sub Total		929,760,507	901,481,406
Total Assets		975,893,964	947,614,865
Liabilities			
Other Pending payables	11	9,715,111	9,715,111
		9,715,111	9,715,111
		<u>966,178,853</u>	<u>937,899,752</u>
Financed by;			
Capital contribution		50,567,565	50,567,565
Accumulated surplus	12	915,611,288	887,332,187
Net Financial position		<u>966,178,853</u>	<u>937,899,752</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22/11, 2022 and signed by:



JULIUS MUIA, PhD, CBS
 PRINCIPAL SECRETARY

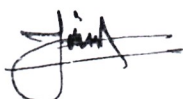


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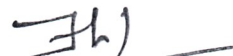
9. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2022

	Ordinary share capital	Retained Earning	Total
	Kshs.	Kshs.	Kshs.
As at 1 July, 2020	50,567,565	883,217,883	933,785,448
Surplus for the year		3,716,552	3,716,552
Adjustment		397,753	397,753
As at 30 June, 2021	50,567,565	887,332,188	937,899,753
As at 1 July, 2021	50,567,565	887,332,188	937,899,753
Issue of new share capital			
Surplus for the year		28,279,101	28,279,101
Adjustment		-	-
As at 30 June, 2022	50,567,565	915,611,289	966,178,854

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22/11, 2022 and signed by



JULIUS MUIA, PhD, CBS
 PRINCIPAL SECRETARY




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

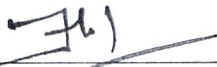
10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022

	Notes	2021/2022 Kshs.	2020/2021 Kshs.
Receipts for operating income			
Dividend Income	6	28,279,101	3,716,552
Accounts receivable	9	9,885,771,	(3,834,173)
Increase in Investments		-	(272,979)
Adjustment for non-cash changes		-	397,752
Cash flow from Investing Activities		38,164,872	-
Receipt received from the National Treasury		-	-
		-	-
Net cash flows from operative activities		38,164,872	7,152
Net increase in cash and cash equivalents		38,164,872	7,152
Cash and cash equivalent at the beginning of the year		<u>887,674,635</u>	<u>887,667,483</u>
Cash and cash equivalent at the end of the year		<u>925,839,507</u>	<u>887,674,635</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 22/11, 2022 and signed by:



JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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

**11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE YEAR ENDED 30 JUNE, 2022**

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Dividend	74,044,784		74,044,784	28,279,101	45,765,683	39%
Total income	74,044,784		74,044,784	28,279,101	45,765,683	
Expenses						
Dependant Pension	Nil		Nil	-	-	
Total Expenditure	Nil		Nil	-	-	
Surplus for the period	74,044,784		74,044,784	28,279,101	45,765,683	

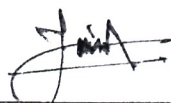
Note

The expected income is dividend from,

A) KPLC- the company declared nil dividend on ordinary share and preference dividend earned Kshs. 3,576/- during the period.

B) EABL declared Kshs.28,279,101 dividend for the period, hence expected dividend of Kshs. 39,582,159 was never realised during the year.

Expenditure was supposed to be dependant pension due to the surviving individual dependant but all were deceased.



JULIUS MULA, PhD, CBS
 PRINCIPAL SECRETARY



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

12. 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: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions 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: 1st 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">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 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: <ul style="list-style-type: none">(a) The nature of such social benefits provided by the entity;(b) The key features of the operation of those social benefit schemes; and(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2021-2022 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (Continues)

6. DIVIDEND INCOME

	2021/2022	2020/2021
	Kshs.	Kshs.
Preference dividend from KPLC Ltd, for the period	3,576	10,729
Ordinary dividend KPLC Ltd		3,705,823
Ordinary dividend EABL	28,275,525	-
Total	28,279,101	3,716,552

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

Preference dividend from KP&LC Ltd	Kshs. 3,576/=
Dividend from EAB Ltd	Kshs. 28,275,525/=

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. INVESTMENTS

	2021/2022	2020/2021
	Kshs.	Kshs.
Preference shares - KPLC		
4% Cumulative 8,066 @ kshs.20.00	161,320	161,320
7% Cumulative 500 @ Kshs. 20.00	10,000	10,000
Ordinary Shares 12,352,743@Ksh. 2.5- KPLC	30,881,858	30,881,858
Ordinary Shares 7,540,140@Ksh.2 - EABL	15,080,280	15,080,280
Shares		-
Total	46,133,457	46,133,457

The shares relate to Kenya Power and Lighting Company and East African Breweries Limited

NOTES TO THE FINANCIAL STATEMENTS (Continues)

9. OTHER RECEIVABLES

	2021/2022	2020/2021
	Kshs.	Kshs.
Cereals and Sugar Finance Corporation	3,921,000	3,921,000
Dividend due from KP&L .co	-	9,885,771
Total	3,921,000	13,806,771

10. BANK BALANCE

NAME OF THE BANK ACCOUNT NO.	CENTRAL BANK OF KENYA	
	2022	2021
	KSHS	KSHS
TOTAL	925,839,507	887,674,635

11. OTHER PENDING PAYABLES

	2021/2022	2020/2021
	Kshs.	Kshs.
Amount due to National Government entities	9,715,111	9,715,111
Total	9,715,111	9,715,111

12. ACCUMULATED SUPLUS

	2021/2022	2020/2021
	Kshs.	Kshs.
Balance B/f	887,332,188	883,217,883
Profit/(loss) for the period	28,279,101	3,716,552
Adjustment		397,753
	<u>915,611,289</u>	<u>887,332,188</u>

12.13. 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
At 30 June 2022				
Receivables from exchange transactions	3,921,000	3,921,000	3,921,000	None
Bank balances	925,839,507	925,839,507	-	None
Total	929,760,507	929,760,507	3,921,000	None
At 30 June 2021				
Receivables from exchange transactions	13,806,771	13,806,771	13,806,771	None
Bank balances	887,674,635	887,674,635	-	None
Total	901,481,406	901,481,406	13,806,771	None

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 recognised 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

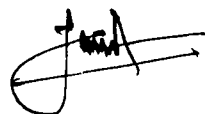
The entity did not have any contingent liabilities.

13. PROGRESS ON FOLLOW 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	Awaiting recommended from task force committee on how to clear from the old balances.	Michael A. Kagika, EBS Secretary/Director Pensions	Resolved by PAC	
Par 2	Long Outstanding Other Receivables of Kshs 3,921,000	Awaiting recommended from task force committee on how to clear from the old balances.	Michael A. Kagika, EBS Secretary/Director Pensions	Resolved by PAC	
Par 3	Delay in Winding Up the Fund	The process is at Cabinet Approval for revocation order of the Fund.	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 22/11, 2022 and signed by:



JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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

Appendix 1: Trial Balance

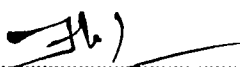
	2021/2022	2020/2021
	Kshs.	Kshs.
Credits		
Capital Account	50,567,565	50,567,565
Sundry Debtors	92,386	92,386
Surplus cash remittance by the department	9,622,725	9,622,725
Retained Earnings	887,332,187	883,615,665
Dividend Income	28,279,101	3,716,522
Total	975,893,964	947,614,863
Debits		
Investment	46,133,457	46,133,457
Cash on Deposit - cereals and sugar finance	3,921,000	3,921,000
Cash at hand	925,839,507	887,674,635
Dividend receivable	-	9,885,771
Total	975,893,964	947,614,863

Appendix 2: 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, 2022		
DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		925,839,507.30
Less 1&2		
1 PAYMENTS IN CASH BOOK NOT IN BANK		
(UNPRESENTED CHEQUES)	-	
TOTAL UNCLEARED EFFECTS		
2 RECEIPTS IN BANK NOT IN CASH BOOK		
TOTAL-APENDEX 1 & 2	-	
	-	
3 PAYMENT IN BANK NOT IN CASH BOOK		
	-	
4 RECEIPTS IN CASH BOOK NOT IN BANK		
TOTAL-APENDEX 1 & 2	-	
	-	
BALANCE AS PER THE CASH BOOK		925,839,507.30

"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.....


Appendix 3: Certificate of Balances




July 15, 2022

CERTIFICATE OF BALANCES

Customer	120373	THE NATIONAL TREASURY	
Balance		TREASURY	
Date:	30-Jun-22		
Account No	Account Name	Currency	Balance
1000204397	REC-PENSIONS	KE\$	7,847,788,215.70
1000213744	EUROPEAN WIDOWS AND ORPHANS PENSION	KE\$	179,466,051.85
1000213752	ASIAN OFFICERS FAMILY PENSION FUND	KE\$	452,888,834.45
1000209518	NATIONAL TREASURY REVENUE COLL.	KE\$	0.00
1000213768	PROVIDENT FUND KE AND EA COMMUNITY	KE\$	925,839,507.30


Evelyn Moegi (Mrs)
Authorised Signatory
Banking Services Division


Joyce Nasieku
Authorised Signatory
Banking Services Division

Handwritten text, possibly a signature or date, located in the upper left quadrant of the page.



Faint handwritten text or markings in the top right corner.

A small, faint handwritten mark or character in the center of the page.

A vertical line of faint handwritten marks or characters along the right edge of the page.