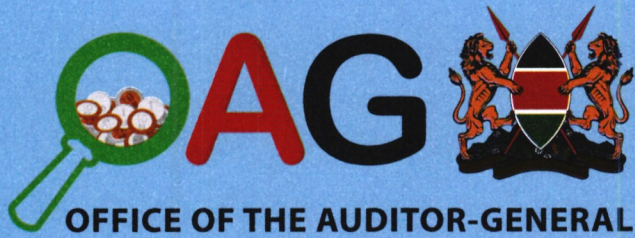


REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**REVENUE STATEMENTS
OF THE PENSIONS DEPARTMENT**

**FOR THE YEAR ENDED
30 JUNE, 2023**

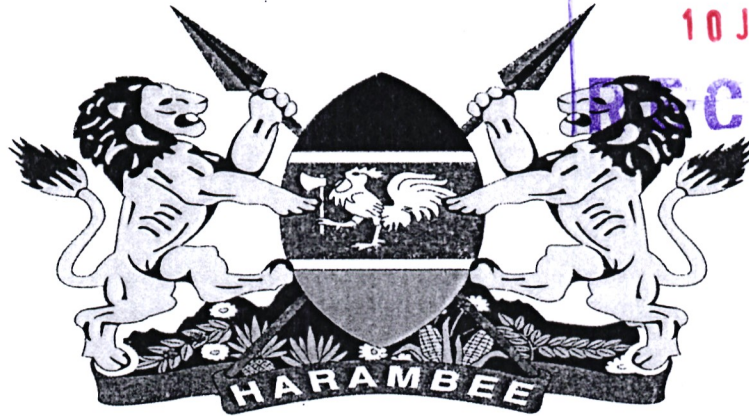
THE NATIONAL TREASURY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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10 JAN 2024

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RECEIVER OF REVENUE

THE NATIONAL TREASURY AND ECONOMIC PLANNING

PENSIONS DEPARTMENT

REVENUE STATEMENTS

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

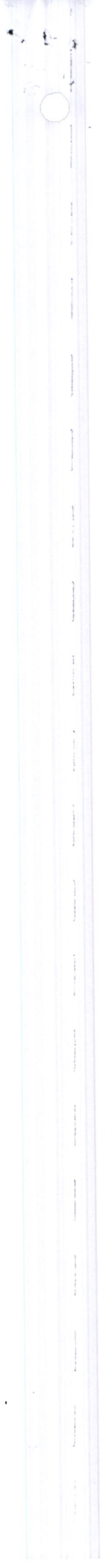


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1. Acronyms and Glossary of Terms

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

2. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

The National Treasury was established via the Executive Order No. 1 of 2023. 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 Economic Planning, who is responsible for the general policy and strategic direction of the Ministry.

Vision

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

Mission

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

Core Values

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism and Ethical Practices, Transparency and Accountability, Integrity, Teamwork and Commitment 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 Order No.1 of 2023. 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:

- (i) Overall Economic Policy Management;
- (ii) Management of Public Finance;
- (iii) Formulation of National Budget;
- (iv) Public Debt Management;
- (v) Formulation and Maintenance of Government Accounting Standards;
- (vi) Bilateral and Multilateral Financial Relations;
- (vii) Capital Markets Policy;
- (viii) Oversight over Revenue Collection;
- (ix) Competition Policy Management; National Pensions Policy Management;
- (x) Insurance Policy and Regulation;
- (xi) Public Procurement and Disposal Policy;
- (xii) Public Investment Policy and Oversight;
- (xiii) Development and Enforcement of Financial Governance Standards;
- (xiv) Financial Sector Analysis and Management including SACCOs, NSSF and NHIF;
- (xv) Financial Institutions Oversight;

- (xvi) Management of National and County Governments Financial Management System and Standards;
- (xvii) Development of Kenya as an International Financial Centre;
- (xviii) Anti-Money Laundering Policy;
- (xix) Custodian of National Government Assets and Properties; and,
- (xx) Secretariat to Intergovernmental Budget and Economic Council.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Management

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Public Investment and Portfolio Management

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

- (a) Government Investment and Public Enterprises;
- (b) National Assets and Liabilities Management;
- (c) Pensions Department; and,
- (d) 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:

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

Directorate of Public Private Partnership

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

Directorate of Administrative and Support Services (Common Shared Services)

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

S/NO.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Ag. Director, Financial and Sectoral Affairs Department	Mr. Mark Obongo
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Ag. Director, Intergovernmental Fiscal Relations Department	Ms. Josephine Kanyi, HSC
13.	Ag. Director, 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.	Ag. Director, Information Financial Management System	Mr. Mboni Kyallo
17.	Ag. Director, National Assets and Liability Management	Mr. Geoffrey Malombe
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Ag. Director, Public Investment Management Unit	Dr. Patrick Mugo
21.	Ag. Director, Resource Mobilization Department	Mr. David Komen
22.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
23.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
24.	Director Administration	Mr. Elijah Song'ony
25.	Head, Accounts Division	Mr. George Gichuru
26.	Head, Finance	Mr. Ambrose Ogango
27.	Senior Deputy Director, SCM	Mr. Caleb Ogot
28.	Deputy Internal Auditor General, Internal Audit Unit	Ms. Lucy Mugwe
29.	Principal State Counsel, Legal Unit	Ms. Faith Pesa
30.	Director, Human Resource Management and Development	Mr. Benson Giuthua
31.	Ag Director, Information Communication and Technology	Ms. Lynn Nyongesa
32.	Director, Central Planning and Project Monitoring Department	Mr. Antony Muriu, HSC
33.	Head, Public Communications	Ms. Catherine Njoroje
34.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(e) Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include:

(i) Audit Committees

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

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

(ii) Public Finance Management Committees

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

(iii) Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2022/23.

(iv) Other oversight activities

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

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

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

Public Financial Management Sector Working Group

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

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 & Economic Planning
Statement of Revenue – Pensions Department
Revenue Statement for the year ended 30 June, 2023

The National Treasury Headquarters

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

The National Treasury Contacts

Telephone: (254)020-2252299
Email: Communication@treasury.go.ke
Website: www.treasury.go.ke

The National Treasury Bankers

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

Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O Box 30084
GPO 00100
NAIROBI, KENYA

Principal Legal Adviser

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

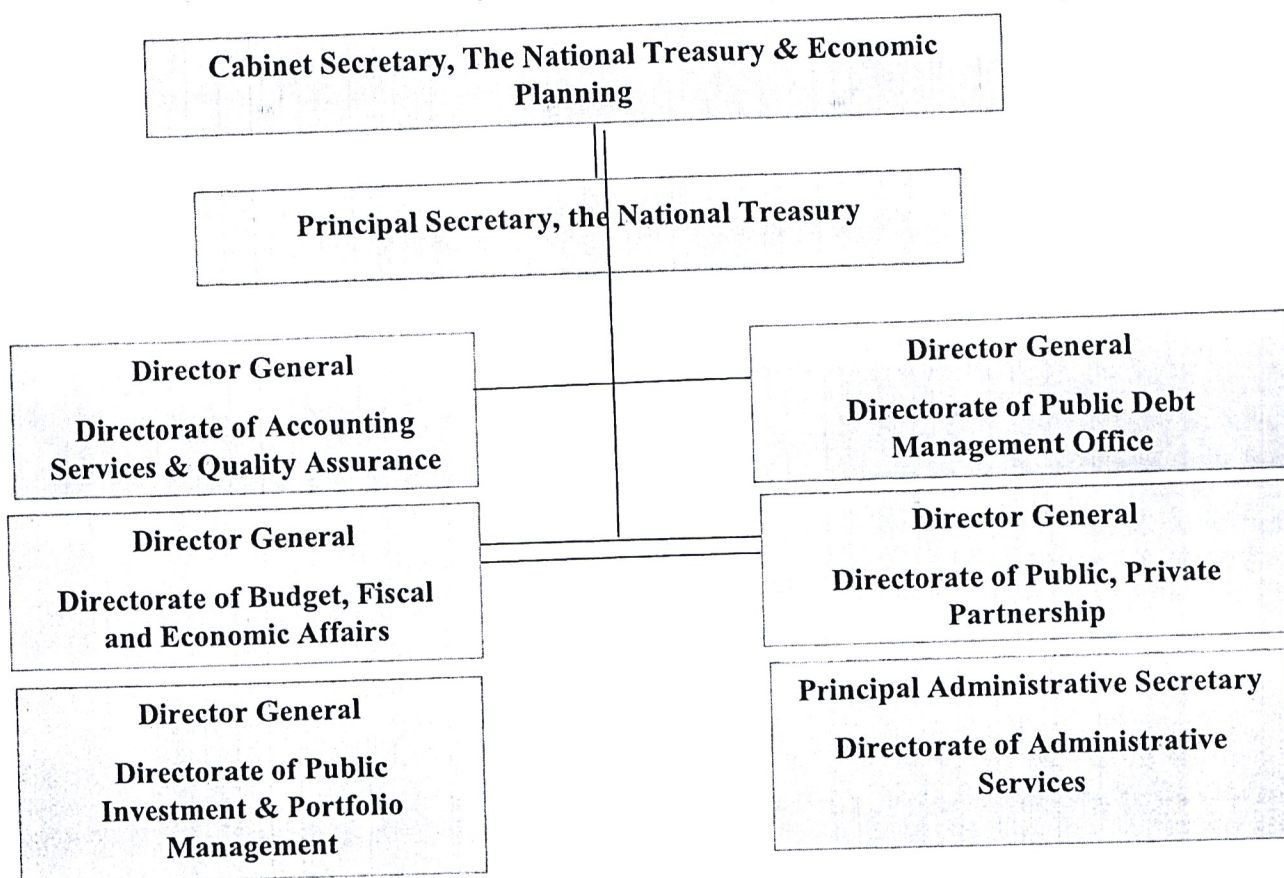
3. STATEMENT OF GOVERNANCE

(i) Brief of Key Leadership Structure

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

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

The National Treasury Leadership Structure



(ii) Management Committees Established and Their Roles

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

Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner.

(iii) The Audit Committee

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

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

The Committee is active and meets on a quarterly basis to deliberate on their functions.

(iv) Risk Management, compliance, conflict of interest

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

(v) Recent Trainings and development in governance for those in key leadership

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

(vi) Public participation activities

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

(vii) Compliance with laws and regulations

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

The National Treasury through the legal unit is planning to carry out the first legal compliance audit in September 2023/24 FY, to establish the level of adherence of applicable laws, rules, regulations and standards, and make recommendations for implementation.

4. STATEMENT BY THE CABINET SECRETARY

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

The FY 2022/23 marked the transition from the previous administration to the current one. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate revenue resources and transition related challenges. There was a general slowdown of economic activities.

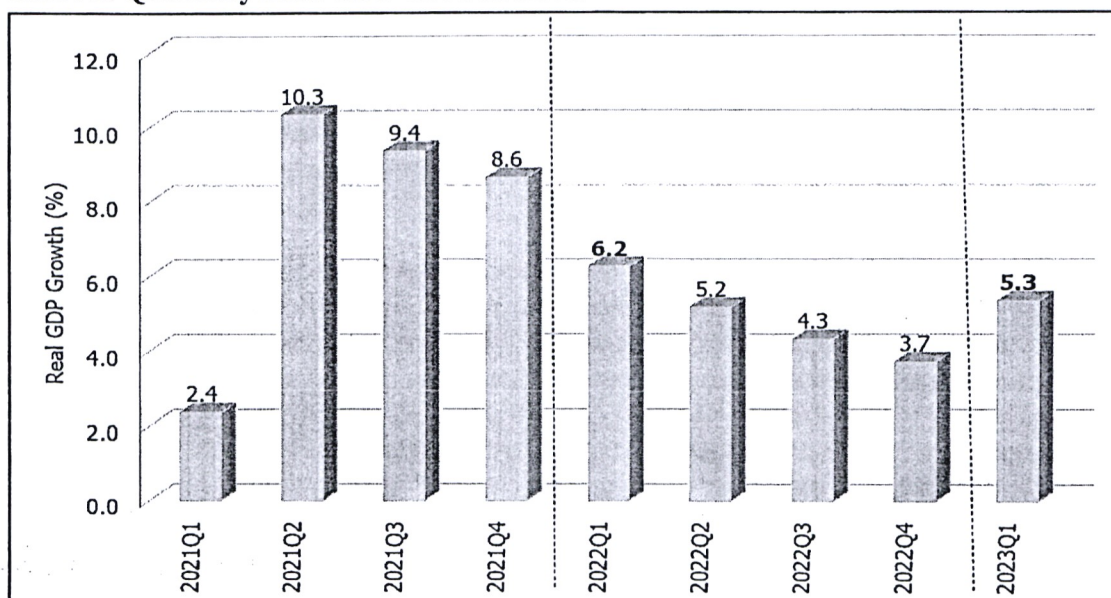
This was occasioned by external shocks including supply chain problems and prolonged Covid-19 impacts in the global arena; climate change occasioning the worst drought in 40 years and the ongoing Russia – Ukraine conflict.

Economic Growth

The Kenyan economy slowed down to a growth of 4.8 percent in 2022 compared to a revised growth of 7.6 percent in 2021. The slowdown was due to the impact of climate change that led to drought affecting agricultural productivity which also contributed to a slowdown in growth in manufacturing and in wholesale and retail trade. The growth in 2022 was spread across all sectors of the economy but was more pronounced in service-oriented activities.

The economy remained resilient and expanded by 5.3 percent in the first quarter of 2023, compared to 6.2 percent in a similar quarter in 2022 (Chart 1). The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors. All economic sectors recorded positive growths, though the magnitudes varied across activities.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

Activities in the agriculture, forestry and fishing sub-sector expanded by 5.8 percent in the first quarter of 2023 compared to a contraction of 1.7 percent in the first quarter of 2022 (Table 1). The significantly improved performance of the sector was attributable to favorable weather conditions that led to enhanced production, especially that of food crops. The performance was evident in the significant increase in export of vegetables and fruits recorded during the first quarter of 2023. However, the sector's performance was somewhat curtailed by decline in milk deliveries to processors, production of tea, coffee and sugarcane.

The performance of the industry sector slowed down to a growth of 2.4 percent in the first quarter of 2023 compared to a growth of 4.4 percent in the first quarter of 2022. This was mainly on account of a slowdown in activities in the manufacturing; electricity and water supply; and construction sub-sectors.

Manufacturing sub-sector expanded by 2.0 percent in the first quarter of 2023 compared to a growth of 3.8 percent in a similar quarter in 2022. The growth was mainly supported by the manufacture of food products that included bakery products and processing and preservation of fish. In the non-food manufacturing, the growth performance was supported by substantial growth in the manufacture of basic metals and fabricated metal products.

Electricity and Water Supply sub-sector expanded by 2.3 percent in the first quarter of 2023 compared to 3.2 percent growth registered in the first quarter of 2022. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the decline in generation from hydroelectric sources. Activities of the construction sub-sector expanded by 3.1 percent in the first quarter of 2023 compared to a 6.0 percent growth in the first quarter of 2022. The slowdown in growth of the sector's performance in the first quarter of 2023 was mirrored in the decline of volume of cement consumption and imports of various construction materials such as bitumen and iron and steel.

The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent compared to a growth of 8.5 percent in a similar period in 2022. This performance was largely characterized by significant growths in Accommodation and Food Service; Information and Communication Technology; Transportation and Storage; Financial and Insurance; and Wholesale and Retail Trade Sub-Sectors.

Accommodation and Food Service sub-sector is estimated to have expanded by 21.5 percent in the first quarter of 2023 compared to 40.1 percent growth recorded in the first quarter of 2022. Activities in the sub-sector have been growing steadily owing to dissipation of the effects of the COVID-19 pandemic that consequently led to improved economic environment in most tourist destinations. Transportation and Storage sub-sector grew by 6.2 percent in the first quarter of 2023 compared to a growth of 7.7 percent in a similar quarter in 2022. The growth was attributed to improved performance in most of the subsectors, especially transportation of passenger and freight through rail.

Information and communication sub-sector recorded a growth of 8.7 percent in the first quarter of 2023 compared to a growth of 9.0 percent in the first quarter of 2022. This growth was mainly supported by increase in mobile money transfers, domestic voice traffic, domestic Short Messaging Services (SMSs), and utilized international bandwidth. Financial and Insurance sub-sector grew by 5.8 percent in the first quarter of 2023 compared to 17.0 percent growth in the corresponding quarter of 2022.

The Government undertook reprioritization and cost-cutting measures to ensure smooth implementation

of priority programmes for the remainder of the financial year.

Consequently, we managed to bring the fiscal deficit from the planned 6.2% under the previous administration to about 5.3% of the GDP by the closure of FY 2022/23. Moving forward in the FY 2023/24, the fiscal deficit is planned to come further down to 4.4% of the GDP.

The FY 2022/2023 closed on a strong and positive note with total revenue collection by the year to June 2023 growing by 7.3% to amount to Kshs.2.36 trillion (16.3% of GDP). Of these ordinary revenues collected amounted to Kshs.2.04 trillion which was an annual growth of 6.4 % and represented a performance rate of 95.1% against target. All tax revenue targets recorded positive growth, an indication of continued recovery in revenue collection.

Total expenditure by end of FY 2022/23 amounted to Kshs.3.21 trillion against target of Kshs.3.36 trillion translating to a shortfall in expenditure of Kshs.148.4 billion.

Critical payments made that had significant impact at the grassroots, included:

- (i) 100% payment of equitable share was disbursed to the 47 County Governments amounting to Kshs.399.6 billion. This figure included the equitable share of Kshs.370.0 billion and arrears of KSh.29.6 billion from the previous year;
- (ii) The entire allocation of KSh. 47.2 billion to the National Government Constituency Development Fund (NGCDF); and,
- (iii) 100% Cash transfer to the Elderly to cater for their needs including for food, health and upkeep. Additionally, all arrears for cash transfers to Orphans and Vulnerable Children (OVCs) amounting to Kshs.16Billion were funded.

Inflation

Year-on-year overall inflation rate has been above the 7.5 percent upper bound of the policy target range since June 2022. Inflation rate remained sticky at 7.9 percent in June 2023 same as June 2022 driven by relatively higher food and fuel prices. Overall annual average inflation increased to 8.8 percent in June 2023 compared to 6.3 percent recorded in June 2022.

Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, increased risks to the inflation outlook, the elevated global risks such as financial market volatility, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 9.50 percent to 10.50 percent in June 2023.

Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 9.6 percent in June 2023 compared to 5.1 percent in June 2022 while the 91-day Treasury Bills rate was at 11.5 percent compared to 7.9 percent over the same period.

Exchange Rates

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh. 139.7 in June 2023 compared to KSh. 117.3 in June 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh 151.4 in June 2023 compared to KSh. 124.1 in June 2022 while against the Sterling Pound the Kenyan shilling also weakened to exchange at KSh. 176.3 compared to KSh. 144.8, over the same period.

THE NATIONAL TREASURY

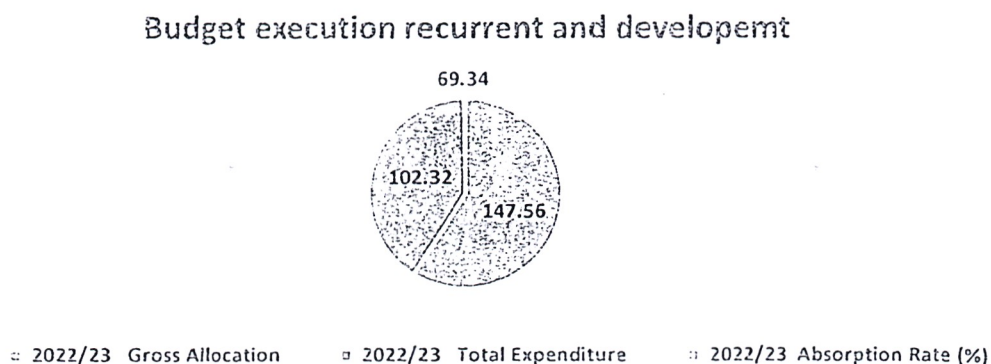
Annual Report and Financial Statement for the Year Ended June 30, 2023

5. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

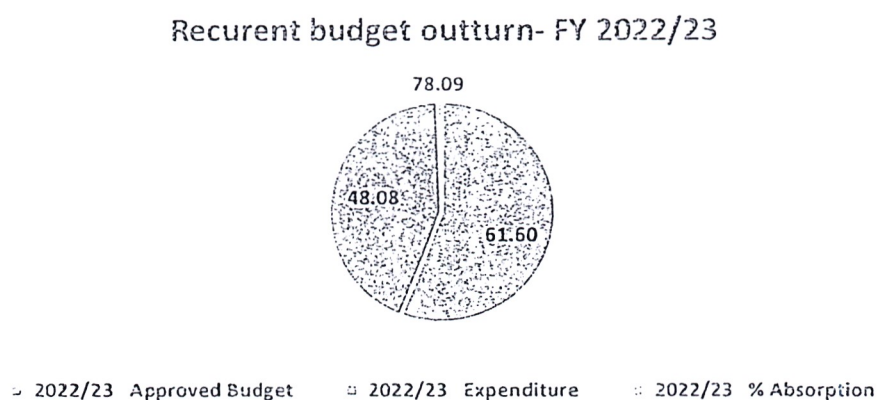
The National Treasury expenditure (inclusive of A-in-A) for the FY 2022/23 stood at KSh. 102.032 billion against an approved budget of KSh. 147.56 billion translating to an overall absorption rate of 69.43 percent as demonstrated in the pie chart below. This translates to an improvement of 6.43 percent from 63% recorded in the financial year 2021/22. Chart 2 below presents the National Treasury total budget execution for the FY 2022/23.

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



When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure (inclusive of A-in-A) stood at KSh. 48.08 billion in the FY 2022/23 against an allocation of KSh 61.60 billion translating to 78.05 % absorption rate as shown in Chart 3 below.

Chart 3: National Treasury recurrent budget execution for the FY 2022/23 (KSh. Billions)



On the other hand, development expenditure (inclusive of A-in-A) absorption was KSh 54.23 billion against an allocation of KSh 85.96 billion recording an absorption rate of 63.09% as illustrated in Chart 4 below. The underabsorption in development expenditure is attributed to exchequer challenges.

THE NATIONAL TREASURY

Annual Report and Financial Statement for the Year Ended June 30, 2023

Pending Bills

The total outstanding national government pending bills as at 30th June, 2023 amounted to KSh. 567.5 billion. These comprise of KSh. 443.6 billion (78.2 percent) and KSh.123.9 billion (21.8 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills for the last two years.

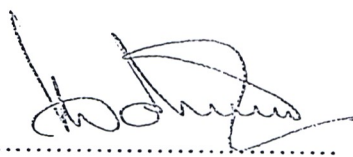
The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. In the FY 2023/24 all Ministries, Departments and Agencies (MDAs) are expected to clear all the expenditure carryovers from FY 2022/23 as a first charge before payment of commitments of the current financial year.

Bottom-Up Economic Transformation Agenda (BETA)

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

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

The BETA priorities should therefore be mainstreamed into the regular programmes of Ministries, Departments and Agencies. The planning and budgeting should embrace the value chain approach ensuring that there are no funding gaps, no duplications and allows for efficiency in the use of resources.

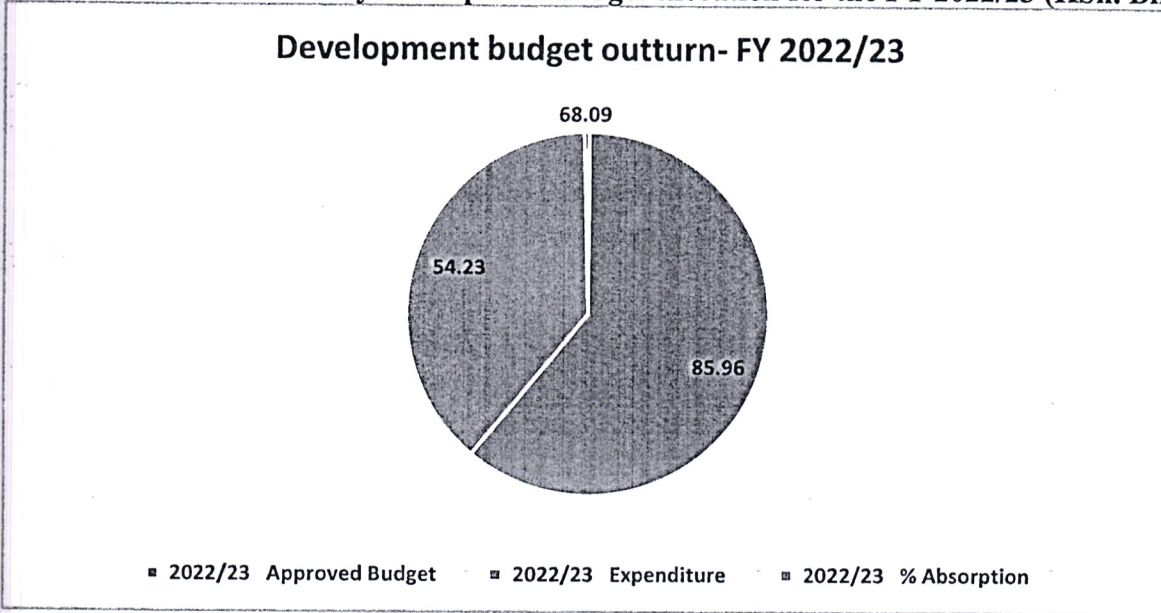
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NJUGUNA NDUNG'U, CBS
CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

Date 25-09-2023.....

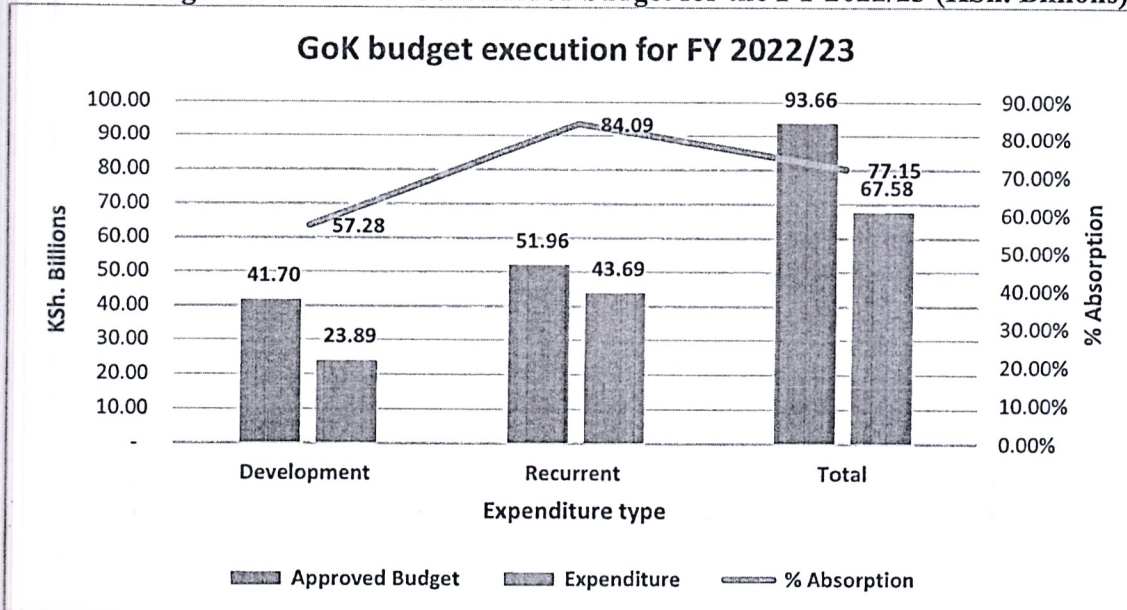
Chart 4: National Treasury development budget execution for the FY 2022/23 (KSh. Billions)



Budget execution for GoK Funds (Net of A-in-A)

The National Treasury expenditure for GoK funds (exclusive of A-in-A) for the FY 2022/23 stood at KSh. 67.58 billion against an allocation of KSh. 93.66 billion. This translates to an absorption rate of 72.15 per cent. GoK development expenditure for the year was KSh. 23.89 billion against an allocation of KSh. 41.70 billion. This constitutes and absorption rate of 57.28 per cent. On the other hand, recurrent GoK budget recorded an expenditure of KSh. 43.69 billion against an allocation of KSh. 51.96 billion translating to an absorption of 84.09 per cent. Chart 5 below illustrates budget execution for GoK funded budget for the FY 2022/23.

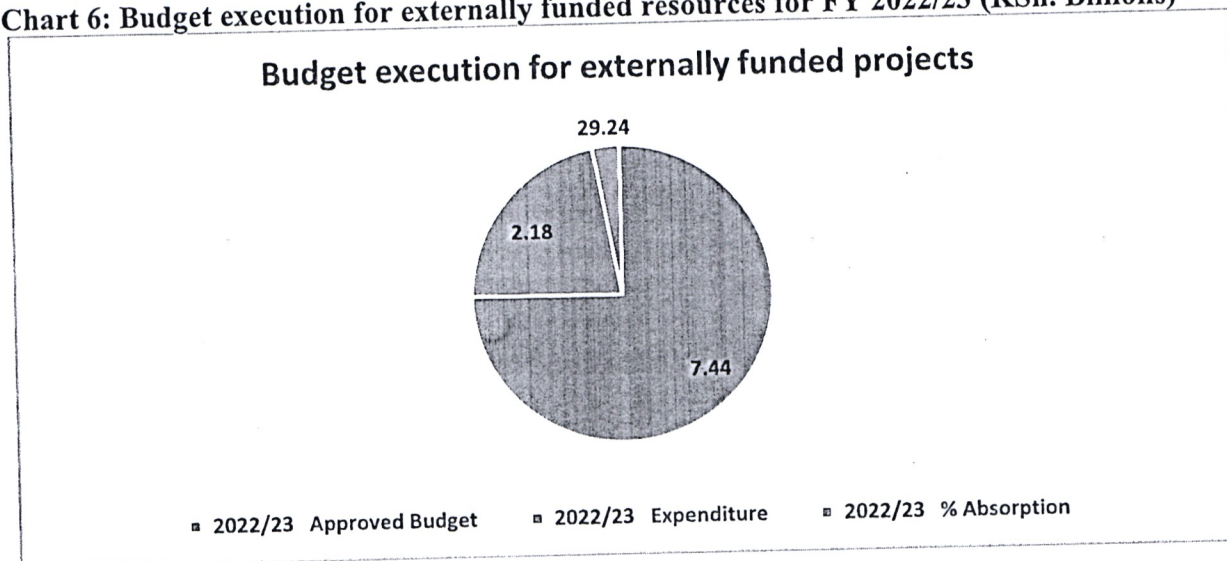
Chart 5: budget execution for GoK funded budget for the FY 2022/23 (KSh. Billions)



Budget execution for externally funded resources for FY 2022/23

The externally funded projects recorded an absorption of KSh. 2.18 billion against an allocation of KSh. 7.44 billion translating to an absorption rate of 29.24%. The under absorption in externally funded resources was attributed to: transfer of a budget of KSh. 2 billion for the National Treasury Dongo Kundu Special Economic Zones to Ministry of Transport and Infrastructure; inability to secure donor commitments; differences in accounting period of the donor; and lack of no objection from the donors for some projects. Chart 6 below presents the budget execution for externally funded resources for the FY 2022/23.

Chart 6: Budget execution for externally funded resources for FY 2022/23 (KSh. Billions)

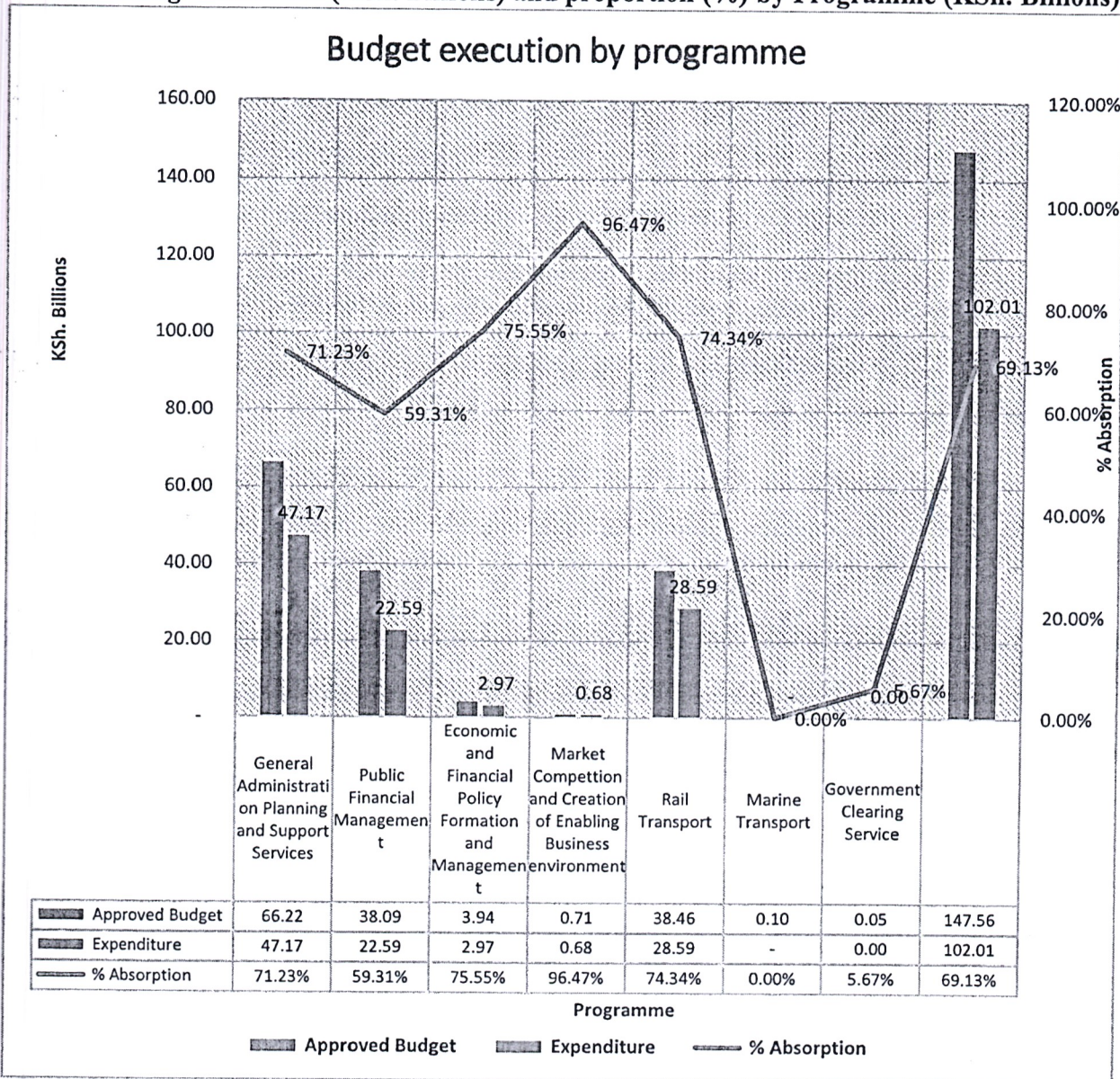


Budget Execution by Programmes

The National Treasury implemented the 2022/23 budget within seven economic 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 three programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services in the FY 2021/22. These three programmes have since been transferred back to the Ministry of Transport and Infrastructure and will no longer be under the National Treasury reporting in the FY 2023/24.

As demonstrated in the chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 96.47 percent followed by Economic and Financial Policy Formulation and Management at 75.55 percent, Rail Transport at 74.43 percent, General Administration at 71.23 percent, Public Financial Management at 59.31 percent, Government Clearing Service at 5.67 percent, and Marine transport at zero (0) per cent. The lack of absorption in Government Clearing Service and Marine Transport is due to the transfer of the functions to Ministry of Transport and Infrastructure in the FY 2022/23. Chart 7 below illustrates the National Treasury budget execution by programme for the FY 2022/23.

Chart 7: Budget execution (KSh. Billions) and proportion (%) by Programme (KSh. Billions)



Key Achievements

The National Treasury registered Key Achievements during the Financial Year 2022/23. These include:

1. **Under General Administration, Planning and Support Services programme**, the National Treasury leased 4,023 security vehicles for the National Police Service towards enhancing security;
2. **Under the Public Financial Management programme**, the National Treasury mobilized a total of KSh. 22.6 billion worth of private capital under Public Private Partnerships; mobilized KSh. 8.8 billion under the Global Fund towards treatment of HIV, TB and Malaria, registered

29,435 AGPO Enterprises; and digitized an additional 4,687 government services; and conducted 269 Value for Money Audits;

3. Under **Economic and Financial Policy Formulation and Management programme**, the National Treasury implemented fiscal consolidation initiatives that led to realization of 5.7 % fiscal deficit against a target of 6.3% of GDP; developed the Nairobi International Financial Centre (NIFC) Guidelines and Regulations; established Climate Change Fund (CCF) in 7 Counties; and provided 197,960 No. of Clients with Agricultural Finance Corporation (AFC) loans in both wholesale and retail lending against a target of 196,617; and,
4. Under **Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through Competition Authority of Kenya determined 100% merger and acquisitions applications and developed one (1) Restrictive Trade Practices Guideline and one (1) Consumer Protection Guideline.

Emerging Issues

The emerging issues that impacted or may impacted the operations of the National Treasury include:

- (i) The Ongoing Russia-Ukraine conflict, and lingering effects of the COVID-19 pandemic and drought has heightened global inflation and resulted in tightening monetary policy and persistent supply chain disruptions. This hampered achievement of targets for the period under review;
- (ii) Technological advancement in the ICT sector presented opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security;
- (iii) The proliferation of fake news on social media platforms, which have a wider audience and faster response time sometimes portrayed the National Treasury in a negative manner; and,
- (iv) Development of Sector specific Project Appraisal Manuals: although the National Treasury developed a generic manual to guide the investment appraisal processes, it has now emerged that there is need to develop sector specific methodological appraisal manuals to guide sector specific analysis. Therefore, the National Treasury is required to develop over 40 sector specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process.

Challenges

Some of the challenges the National Treasury faced while implementing the 2022/23 budget include:-

- (i) **Resource Constraint continues to persist and affects implementation of budgets**
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.

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Shortage of Key Technical Staff continues to affect operational efficiency in core mandate

Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 58%. This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.

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

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

- (a) Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue;
- (b) The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including among others, making fertilizer available and improve productivity in counties and regions that plant in the short rain season, where the Government imported 1.5 million 50 kg bags of fertilizers and distributed them at a lower cost of Ksh 3,500;
- (c) Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions. As at the end of the Financial Year 2022/23, the National Treasury had enhanced its staff capacity to 80% of authorized establishment from 30% in the Financial Year 2020/21; and,
- (d) Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

- (i) There is need for 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;
- (ii) Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- (iii) Continued sustained implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- (iv) Strengthening Monitoring and Evaluation Framework and capacity;
- (v) Continued leveraging on ICT to ensure timely delivery of targets; and,
- (vi) Implementing the project rationalization to achieve optimal project portfolio and increase fiscal space.

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Going forward, the National Treasury will continue to implement fiscal policies that pursue growth friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high impact social and investment expenditure. As such, fiscal deficit is projected to decline from 5.7 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY 2023/24.



Signature

Date 25/9/23

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/THE NATIONAL TREASURY

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

Introduction

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

- Strengthen organization capacity for quality service delivery;
- Enhance mobilization, allocation and utilization of public resources;
- Ensure stable and sustainable macro-economic environment; and,
- 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:

Table 1: Performance against Predetermined Objectives for 2022/23

MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
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	In FY 2022/23, 4,023 security vehicles were leased for the National Police Service towards enhancing security against a target of 3,477	Target surpassed
			Ordinary revenue as a percentage of GDP	In FY 2022/23 the ordinary revenue as a percentage of GDP collected was 16% against a target of 17.1%	Target was not achieved
			% level of compliance to PSSS	100%	The eligible public servants were on boarded in real time
			No. of Pension claims processed	Pensions claims were processed within 60 days of submission.	Target achieved
Public Financial Management	To increase the reliability, stability and soundness of the financial sector	Increased reliability and soundness of the financial sector	Annual National Budget presented to Parliament by 30th April 2023	1 achieved against a target of 1	Budget presented to parliament.
			No. of Published External Public Debt Stock & Register on the TNT website	1 External Public Debt Stock & Register on the TNT website published against a target of 1	Target achieved and published in the website
			No. of benchmark bonds issued	12 bonds issued against a target of 12	Target achieved. benchmark bonds are determined by the issuer to create liquidity and have established to attract

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MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
					more liquidity over time than other bonds
			% Of mature serviceable public debt serviced	100% mature serviceable public debt serviced achieved against a target of 100%	Target achieved
			No. of Audit Committees Capacity Built.	31 Audit Committees Capacity Built	Target achieved
			Amount mobilized in KSh. (Billion)	A total of KSh. 22.6 billion worth of private capital was mobilized following private sector investments against a target of 50 billion	Target was not achieved
			No. of People receiving ACT (Millions)	6 Million doses of ACT treatment were issued in the FY 2022/23.	The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are issued to facilities.
			No. of Registered AGPO Enterprises	Registered 29,435 AGPO Enterprises against a target of 20,000	Over achievement is due to stabilization of system uptime and deployment of staff at Huduma Center to assist in enterprise registration
			No. of additional Government Payments Digitized	4687 additional Government payments digitized from 397 as at June 2022	Target surpassed
			No of Annual Borrowing Plans	1 annual borrowing plan achieved against a target of 1	Annual borrowing plan developed
			No. of Strategies	1 Medium Term debt strategy developed medium strategy against a target of 1	Target achieved
			No. of Government Entities capacity built on IRMF	26 Government Entities capacity built on Institutional Risk Management Framework (IRMF)	Target achieved
			No. of VFM Audits reports	Conducted 269 Value for Money Audits. Target surpassed due to increased requests	Target achieved
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Inflation rate (%)	7.9% against a policy range target of 5 +/-2.5.	Target was out of policy range due to higher food and fuel prices
			Months of import cover	4.5 months of import cover against a target of 5.8	Target not met due to high demand for foreign exchange

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MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
			% of fiscal deficit	(5.7) % of GDP against the target of 6.3%	Target surpassed due to fiscal consolidation initiatives such as budget rationalization in the second Quarter
			No. of Guidelines and regulations prepared	1 Nairobi International Financial Centre (NIFC) Guidelines and regulations prepared against a target of 1	Target achieved
			No. of legal frameworks developed	1 Legislative framework for NIFC and financial services sector developed against a target of 1	Target achieved
			No. of counties with CCF	7 Counties have established their Climate Change Fund (CCF)	Remaining Counties to be targeted in the FY 2023/24
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2023 & Division of Revenue Bill (DORB) 2023.	Target achieved in 2nd quarter
			No. of Clients accessing Agricultural Finance Corporation (AFC) loans	A total of 197,960 client outreach was achieved in both wholesale and retail lending	The AFC client outreach was achieved against a target of 196,616
			Loan amount issued to clients in KSh. millions	KSh. 4,112 Million Loan issued to clients	The corporation achieved against a target of KSh. 4,000 Million
			Loan repayments as % of disbursements	82% loan repayments was achieved against a target of 85% of disbursements	AFC will strive to collect the balance of 18% of disbursements in the FY 2023/24
			Public Debt at ≤ KSh. 10 trillion	KSh. 9.2 Trillion. Target within the ceiling	Target within the ceiling
			% of Government imports/exports cleared within 9 days at the ports and 2 days at the airports	100%	Target achieved
Market Competition and Creation of an Enabling Business Environment	To promote and sustain competition	Sustained high productivity and competitive markets	% of Merger and acquisitions applications determined	100% merger and acquisitions applications determined	Target achieved
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection guidelines	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline	Target achieved
			Cases concluded as a % of total investigations	83% cases concluded against a target of 95%	Target not achieved due to delay in release of resources
			% of cases on restrictive trade practices investigated and finalized	60% cases on restrictive trade practices investigated and finalized	Target achieved
			% of Appeals on Competition Determined	100% appeals on competition determined achieved	Target achieved

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

Operational Performance

Operational performance is examined from three main indicators. These are: (i) Performance Contract Management (ii) Effectiveness in implementation of National Treasury Strategic Plan 2018/19-2022/23, and (iii) Human Resource Staff Capacity.

Performance Contract Management

Although the Ministries have been completing the performance contracting cycle that ends with announcement of results by the Ministry responsible for Public Service, announcement of results have not been undertaken except for the two FYs (FY 2019/2020 and 2020/2021).

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

In the Financial Year 2020/ 21, the National Treasury and Planning was ranked 5th in the Top Five Performing Ministries with an Average Composite Score of 3.2124 which is a good performance. There was a decline in performance compared to that of 2019/2020 whereby TNT&P was ranked the best performing Ministry with a Composite Score of 3.0209. A summary of performance contract ranking is given in table 2 below.

Table 2: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over three Financial Years

2018/19	2019/2020	2020/2021
Ministries were not ranked	Overall Score: 3.0209 Overall Rank: Position 1 Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.8089 Core Mandate Rank: Position 3	Overall Score: 3.2124 Overall Rank: Position 5 Overall Grade: 70-100% Performance category: Good Core Mandate Score: Not measured Core Mandate Rank: Not ranked among the 5 best performing Ministries

Effectiveness in implementation of Strategic Plan 2018-2023

The National Treasury implemented its Strategic Plan under four (4) Key Result Areas (KRAs) namely: (i) Stable Macro Economic Environment, (ii) Resource Mobilisation for financing public expenditure, (iii) Development planning, budgeting and intergovernmental relations and (iv) Institutional efficiency and effectiveness.

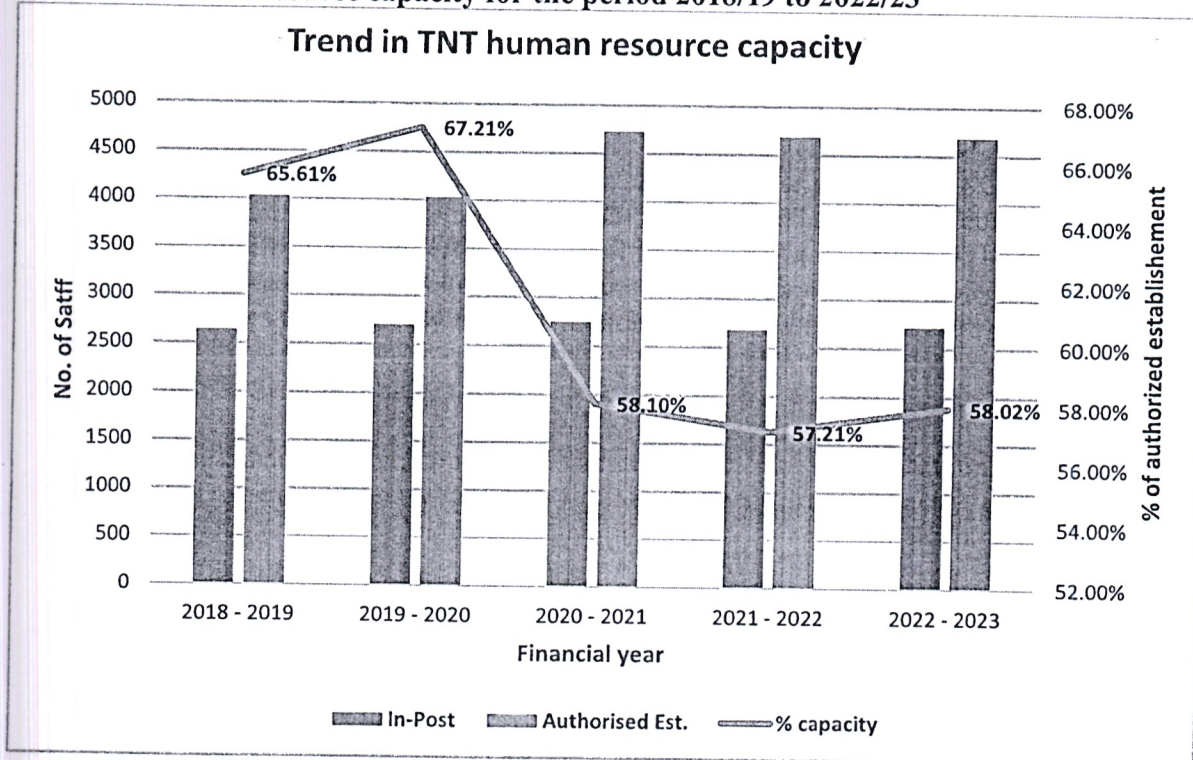
Effectiveness measures considered achievement of planned outcomes and outputs against set targets. In this regard the National Treasury achieved overall effectiveness level of 73% implementation of the objectives under the four KRAs. On the Key Result Areas, the National Treasury recorded the following

level of effectiveness: Stable and sustainable macroeconomic environment - 90%; Resource mobilization for financing public expenditure realised 74 %; Development planning, budgeting, and intergovernmental relations, 80%; and Institutional efficiency and effectiveness- 29%. KRA 4: Institutional efficiency and effectiveness recorded lowest level of effectiveness in achievement of set objectives. This is attributed to inadequate resources to effectively implement targets.

Human Resource Staff Capacity

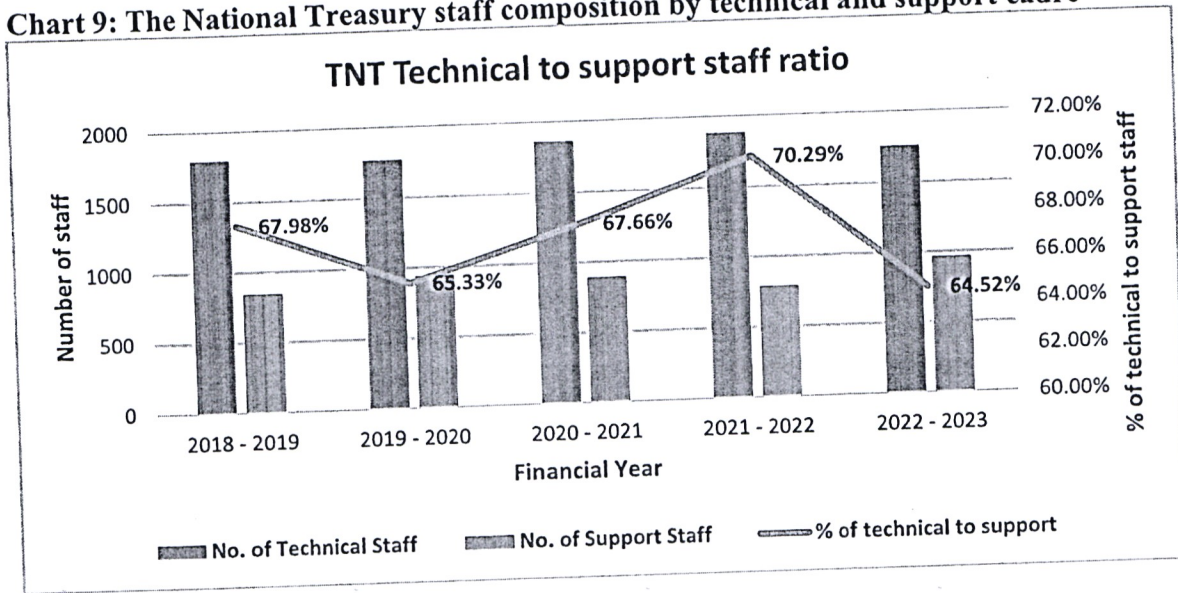
Human resource capacity is a component of operational efficiency in the National Treasury. In this regard, the National Treasury currently operates at 58 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 65.6 percent in 2018/19. The decline in staff capacity is attributed to slow succession management in relation to increasing staff requirement as indicated by authorized establishment. Chart 8 below illustrates the current staff capacity against authorised establishment.

Chart 8: Human resource capacity for the period 2018/19 to 2022/23



In terms of cadre, the National Treasury ratio of technical to support staff currently stands at 64.52 per cent of in-post staff against a target of 70 per cent. This ratio has remained fairly stable at an average of 67 per cent over the period 2018/19-2022/23. Specifically, the technical staff requirement is 3,278 (70 % of staff authorized establishment). However, the current technical staff in-post is 1,753 (53 per cent of technical staff requirement). Chart 9 below illustrates the composition of the National Treasury staff disaggregated by technical and support cadre

Chart 9: The National Treasury staff composition by technical and support cadre



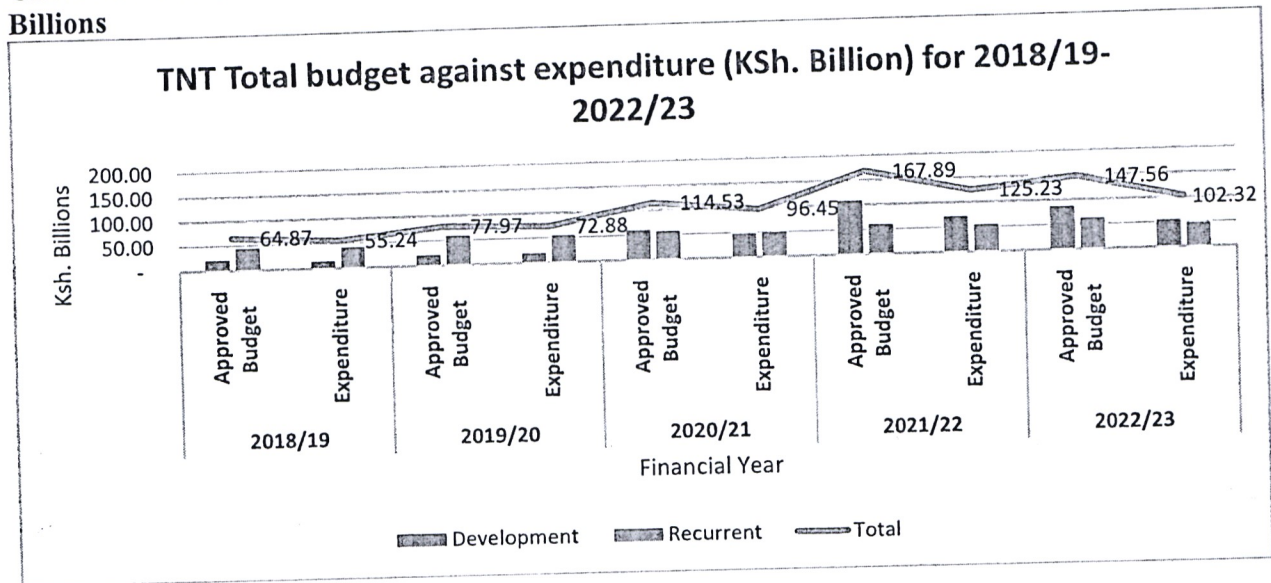
Financial Performance

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

Overall budget execution for the National Treasury for the period 2018/19- 2022/23

Chart 10 illustrates the National Treasury financial performance in relation to expenditure for the period 2018/19- 2022/23. The allocations to the National Treasury recorded increasing trend with highest allocations recorded in the FY 2021/22. The increase in allocation in the FY 2021/22 is attributed to transferring of marine and transport functions to the National Treasury. The same functions have since been transferred back to the Ministry of Transport and Infrastructure in the FY 2023/24.

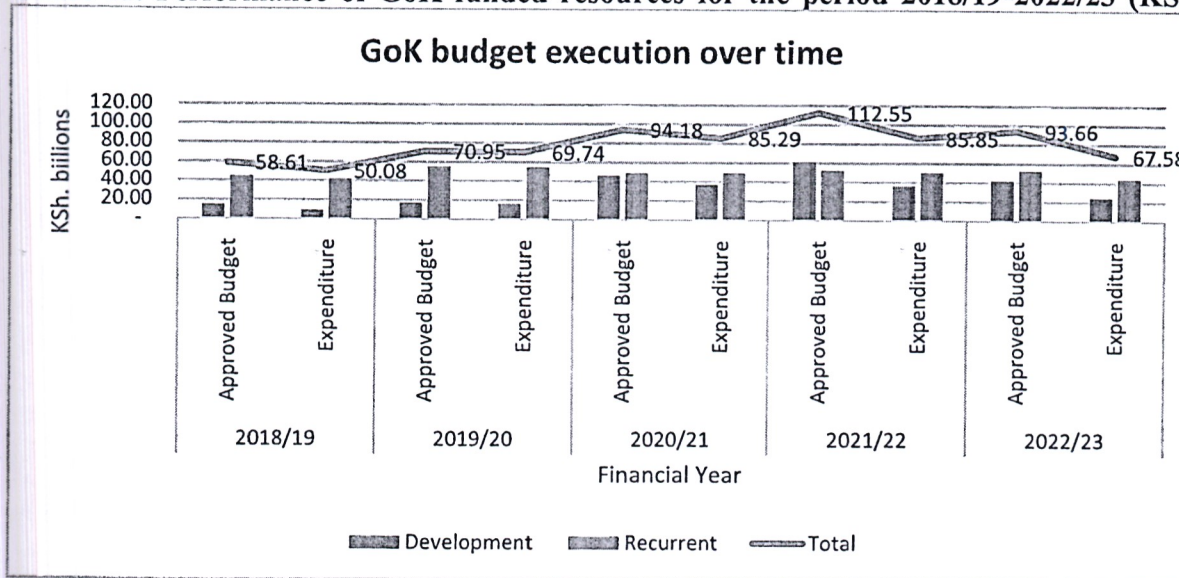
Chart 10: The National Treasury total budget against expenditure for 2018/19- 2022/23 (KSh. Billions)



Performance of GoK funded resources for the period 2018/19-2022/23

An analysis of budget performance for the National Treasury for the period 2018/19 to 2022/23 for GoK funded resources indicate increasing allocation over time. The highest allocation of KSh. 112. billion was recorded in the FY 2021/22. This was due to transfer of marine and transport functions to the National Treasury by executive order. There was a decline in allocations in FY 22/23 when the same functions were transferred back to the Ministry of Transport and Infrastructure. The performance of GoK funded resources is shown in Chart 11.

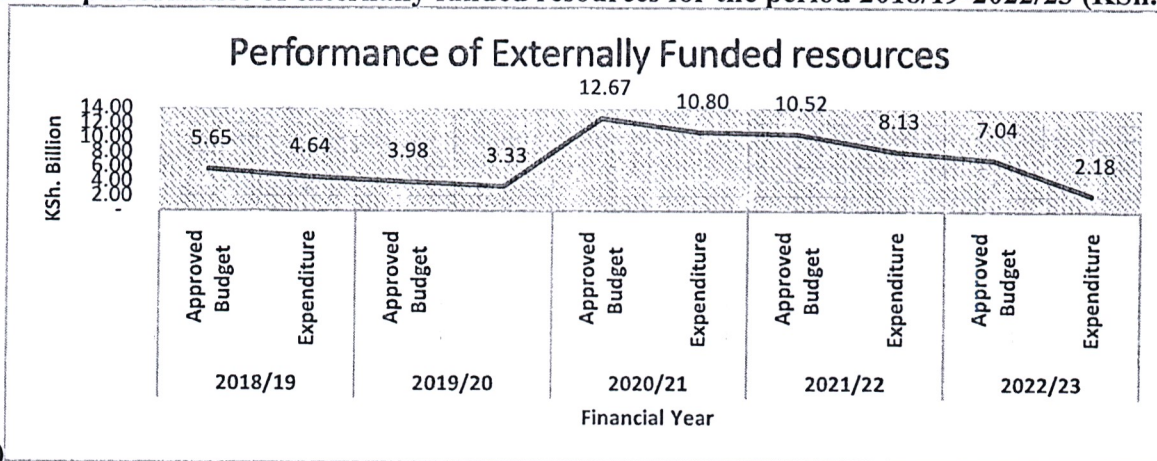
Chart 11: Performance of GoK funded resources for the period 2018/19-2022/23 (KSh. Billions



Performance of externally funded resources for the period 2018/19-2022/23

The externally funded resources rose sharply in the FY 2020/21 before gradually decreasing in the subsequent years. The rise was due to mobilization of additional resources to combat the COVID 19 pandemic. Chart 12 highlights the performance of externally funded resources for the period 2018/19-2022/23.

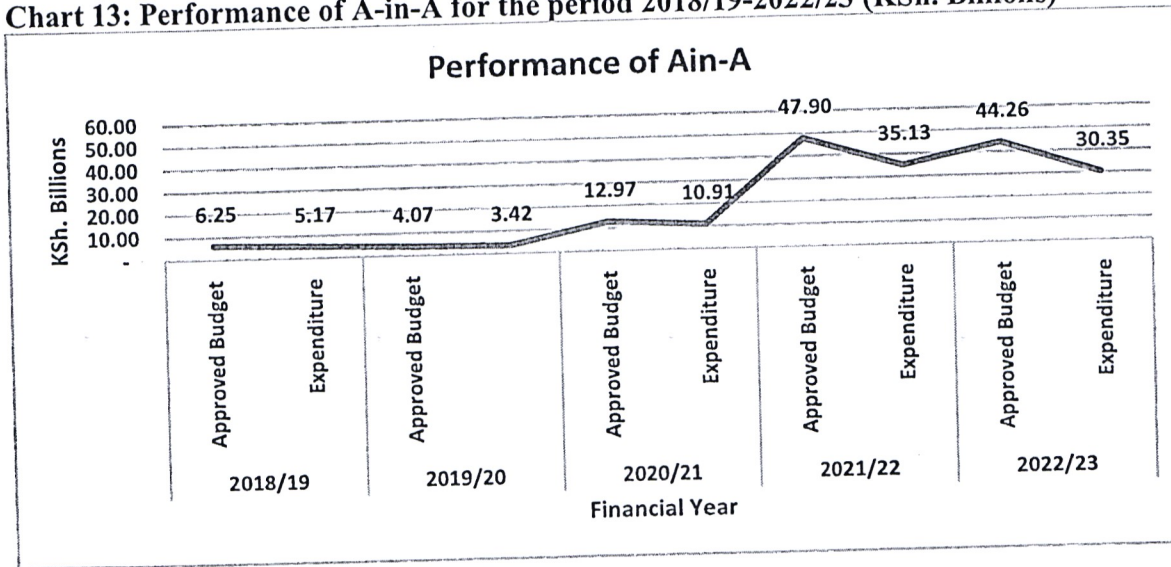
Chart 12: the performance of externally funded resources for the period 2018/19-2022/23 (KSh. Billions)



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

The National Treasury registered a sharp rise in A-in-A allocations in the FY year 2020/21. The rise in A-in-A relates to development partner financing towards interventions to combat COVID 19 pandemic as well as the transfer of the rail transport function to the National Treasury. Chart 13 below illustrates the trend in the performance of A-in-A for the period 2018/19 to 2022/23.

Chart 13: Performance of A-in-A for the period 2018/19-2022/23 (KSh. Billions)



The National Treasury Key Projects/ Investments implemented or ongoing indicating source of Funds, Project Status, Project Costs and amount spent so far

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

Table 3: Key projects implemented by the National Treasury

S/No.	Project Name	Project Timelines			Estimated Cost of the Project (KSh. Millions)						
					Total Project Cost (a)	Foreign	GoK	Total Allocations to Date	Actual cumulative Expenditure (As of 30 th June 2022/23 (b))	Outstanding Balance as of 30 th June 2022/23 (a-b)	Project Completion Rate as of 30 th June 2022/23
1.											
2.	Credit Guarantee Scheme	8/12/2020	Continuous	20%	10,000.00	0	10,000.00	3,000	830.3	9,169.70	8.3%
3.	Kenya Electronic Single Window System	9/11/ 2012	Continuous	80%	8,830.00	330	8500	8300	8300	530.00	100% for the legacy Trade system and 71% for the upgrade (TTP)

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S/No.	Project Name	Project Timelines			Estimated Cost of the Project (KSh. Millions)						
4.	Implementation of the e-procurement system for the Government of Kenya	5/1/2022	5/1/2026	25%	5,000.00	0	5000	942.19	22	4,978.00	25%
5.	Rural Kenya Financial Inclusion Facility	6/2/2022	12/31/2028	14%	13,405.00	11005	2400	200.08	0	13,405.00	5%
6.	Global Fund HIV	7/1/2021	6/30/2024	58%	27,596.19	17931.91	9664.28	14837.36	9296.97	18,299.22	34%
7.	Global Fund TB	7/1/2021	6/30/2024	58%	5,594.13	4276.28	1317.85	1782.59	1112.69	4,481.44	20%
8.	Global Fund Malaria	7/1/2021	6/30/2024	58%	3,641.27	2323.42	1317.85	1064.23	878.76	2,762.51	24%
9.	1071107900, Infrastructure Finance Public Private Partnerships Project - Additional Financing (IFPPP-AF)	2017	6/1/2023	95%	5,000.00	5000	0	1396.05	585.65	4,414.35	85%
10.	1071102201: Strategic Investments in Public Entities	7/1/2014	30th June 2024	85%	150,000.00	0	150000	73851	87881	62,119.00	59%
11.	1071100101: Support to Public Financial Management (PFMR)	7/1/2018	6/1/2028	50%	26,102.00	1189	24913	3312	2466	23,636.00	70%
12.	107111040 Green Climate Fund Readiness Project	3/10/2021	3/10/2024	66.60%	84.50	84.5	0	84.5	18.5	66.00	22.30%
13.	107106600 Strategic Response to Public Initiatives	1 Jul 2019	30th June 2024	70%	6,000.00		6000	3950	350	5,650.00	5.80%

Future Developments and other information

In the next five (5) Year period, the National Treasury is planning to implement key policies and strategies as follows:

Stable and sustainable macroeconomic environment

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

- (i) Develop and implement macroeconomic and fiscal policies that support stable macroeconomic environment and stimulate economic recovery to 5.6 percent growth in FY 2027/28; boost the ratio of gross national savings to GDP to 13.3 percent in the FY 2027/28; increase the ratio of national investments to 18.6 percent of GDP in the FY 2027/28;
- (ii) Oversee implementation of monetary policy that targets to maintain inflation rate at 5 percent +/-2.5 percent; low and stable lending interest rates; stable and competitive exchange rates; and strong official foreign exchange reserves;

- (iii) Develop and implement tax policy and administrative measures designed to gradually reduce the fiscal deficit including grants to 3.5 percent of GDP in the FY 2027/28; increase revenue collection to 18.5 percent of GDP in FY 2027/28; and reduce total expenditures and net lending to 22.3 percent as a share of GDP in the FY 2027/28;
- (iv) Establish the Kenya Credit Guarantee Company to administer CGS – This will entail establishing a functional Credit Guarantee Company to administer Credit Guarantee Scheme (CGS);
- (v) Agricultural and Rural Financial Inclusion (RK- FINFA) – this will enhance access, efficiency and stability of agricultural and rural finance by smallholder farmers and agribusiness MSME; and,
- (vi) Implement the Green Financial Markets programme to enhance access to green finance and strengthen the enabling environment to attract green finance and investments needed to transition to a low-carbon, climate resilient and green economy.

Resource mobilization for financing public expenditure

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

- (i) Integrate Meridian Debt Management System with IFMIS- Development of integration Solutions and training officers with new system and with CBK DHOW Central Securities Depository (CSD) System- Development of integration Solutions and uploading of Domestic Debts in the system;
- (ii) Develop a Resource Mobilization Strategy;
- (iii) Review the Debt and Borrowing Policy to capture the emerging issues and changes in the operational environment; and,
- (iv) Implement the digitalization of Government services through the Digital Payments by enhancing the capabilities and scope of the eCitizen payment platform.

Development Planning, budgeting and intergovernmental relations

This Key Result area aims to undertake the following:

- (i) Business process automation to improve efficiency in National Treasury operations;
- (ii) Digitalization and digitization of Government process for effective service delivery and, revenue enhancement;
 - (a) Strengthening the internal audit fiduciary assurance and advisory services for effective governance process, internal control structures and risk management to increase the level of transparency, effectiveness, efficiency, economy and accountability;
 - (b) Development and implementation of the Public Finance Management Reforms Strategy 2023-2028;
 - (c) Enhancing participation of marginalized groups in public procurement by registration and capacity building;
 - (d) Operationalize the Treasury Single Account to ensure efficient distribution of cash balances; and,
- (e) Upgrading and integration of Pension Management Information System for effective and efficient processing and payment of pension benefits.

Institutional Efficiency and Effectiveness

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

- (i) Undertake Value for Money Audits;
- (ii) Installation of Visitors' management system and Integrated Security Management System at the National Treasury;
- (iii) Development of a Disaster Recovery Plan;
- (iv) Enhance the work environment for efficient service delivery;
- (v) Implement succession planning towards enhancing staff capacity to 80% of the authorized establishment by June 2027 and the ratio of technical to support from 65 per cent to 70 per cent by the same period;
- (vi) Finalization of the Government Transport Policy and Scaling up of the government motor vehicle leasing programme; and,
- (vii) Finalization of the development of the e-GP system.

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

Sustainability Strategy and Profile

To ensure economic sustainability, the National Treasury put in place several measures geared towards protecting the economy. Some of the key focus interventions are to: reduce the cost of living; create jobs; achieve more equitable distribution of income; enhance social security; expand tax base for more revenue for financing development; and increase foreign exchange earnings.

The economic performance for the period under review is against a background of increased uncertainties in the global economic outlook, continuing geopolitical tensions and the pace of monetary policy tightening amidst concerns about financial sector stability in the advanced economies. Nevertheless, commodity prices in the global markets, particularly of oil and food, have been easing due to improved and functioning supply chains.

Kenya's economic growth for 2022 slowed down to 4.8 percent from 7.6 percent in 2021 due to the adverse impact of the multiple shocks that affected the economy. The growth in 2022 was supported by growth in the services sectors while the agricultural sector contracted for the second consecutive year due to the prolonged drought effect which also contributed to a slowdown in growths in the manufacturing as well as that of the wholesale and retail trade sectors.

In 2023, the economy is expected to rebound and expand by 5.5 percent from 4.8 percent in 2022 and maintain that pace over the medium term. This growth will be supported by a broad-based private sector led growth, including continued strong performance of the services sector and recovery in the agriculture sector due to improved weather conditions during the March – May rain season. This growth outlook will further be reinforced by the interventions being implemented by the Government, under the Bottom-Up Economic Transformation Agenda (BETA).

In order to realize the aspirations of the Bottom-Up Economic Transformation Agenda, the National Treasury will: Continue to maintain macroeconomic stability and enhance security to foster a secure and conducive business environment for all Kenyans and their investments; Intensify national infrastructure development and connectivity in roads, rail, port, energy and fibre optic infrastructure to lower the cost of movement of people and goods, lower the cost of doing business thereby enhancing profitability of businesses; Enhance investment in key economic sectors for broad based sustainable economic recovery by promoting: agricultural transformation, growth in manufacturing, environmental conservation and water supply, food security, climate change mitigation and adaptation, tourism recovery, and sustainable land use and management. Food security and climate change will also become a focal point for policy going forward. The National Treasury will expand access to quality social services in health, education and appropriate social safety nets for the vulnerable population; and support the youth, women and persons living with disability through Government-funded empowerment programs that leverage on partnerships with private sector organizations.

Environmental performance/climate change/mitigation of natural Disaster

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

Employee welfare

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

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

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

Operational Practices/Market place practices

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. This is undertaken mainly by the Competition Authority of Kenya, a State Corporation under the National Treasury.

Further, to ensure fairness in the allocation of procurement contracts, the National Treasury ensures strict adherence to the provisions of the Public Procurement and Assets Disposal Act and its regulations.

Community Engagements

Towards Corporate social responsibility, members of staff from the National Treasury participated in these years Annual Kaptagat Tree planting exercise which was graced by His Excellency the President on 1st July, 2023 in Elgeyo Marakwet. The two-day exercise saw over 30,000 seedlings planted at Kessup Forest Station by the National Treasury staff, Corporates and members of the community.

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

9. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.


The Principal Secretary in charge of the National Treasury – is responsible for the preparation and presentation of the Pension Revenue Statement, which gives a true and fair view of the state of affairs of the Pensions revenue for and as at the end of the financial year (period) ended on June 30, 2023. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the National Treasury accepts responsibility for the Pensions Revenue accounts, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the Pensions revenue account gives a true and fair view of the state of Pensions revenue transactions during the financial year ended June 30, 2023, and of the Pension's revenue financial position as at that date. The Principal Secretary in charge of the National Treasury further confirms the completeness of the accounting records maintained for the Pensions revenue, which have been relied upon in the preparation of the Pensions Revenue account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the National Treasury confirms that the Pensions department has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the Pensions revenue's accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

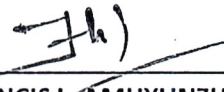
The Pensions Revenue statements were approved and signed by the Principal Secretary on 28/9, 2023.



DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY



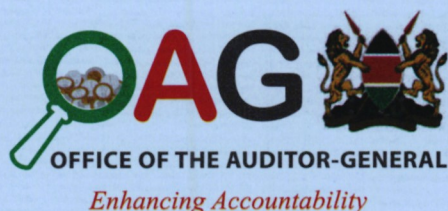
MICHAEL A. KAGIKA, EBS
SECRETARY/DIRECTOR OF
PENSIONS



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

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENTS OF THE PENSIONS DEPARTMENT FOR THE YEAR ENDED 30 JUNE, 2023 - 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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 REVENUE STATEMENTS

Opinion

I have audited the accompanying revenue statements of the Pensions Department set out on pages 1 to 9, which comprise of the statement of financial assets and liabilities and

statement of arrears of revenue as at 30 June, 2023, and the statement of receipts and disbursements for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the revenue statements present fairly, in all material respects, the financial position and the arrears of revenue of the Pensions Department as at 30 June, 2023, and of its revenue performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Revenue Statements of the Pensions Department Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional 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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Identify Non-Remittance Risk

The statement of receipts and disbursements reflects an amount of Kshs.282,191,910 in respect of receipts which, as disclosed in Note 1 to the financial statements, includes an amount of Kshs.196,698,529 in respect of 31% contribution that is remitted by parastatals and other Semi-Autonomous Government Agencies on behalf of civil servants on secondment from Ministries and Departments. Review of the processes revealed that there is a potential risk associated with unremitted contributions because the Department does not have any means of identifying officers on secondment and therefore follow up on the expected contributions. Management did not provide any mitigation strategies against the risk.

In the circumstances, there is a risk of loss of public funds where officers who have been on secondment may receive their full pension before recovery of the 31% contribution.

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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these revenue statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls 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 revenue statement, Management is responsible for assessing the Department'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 terminate the Department 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 revenue statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue 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 Department'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 revenue 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 revenue statements.

In addition to the audit of the revenue 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 revenue 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 revenue 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 controls 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 revenue 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 controls 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 revenue 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 Department'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 revenue 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 Department 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 revenue 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 Department to express an opinion on the revenue 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

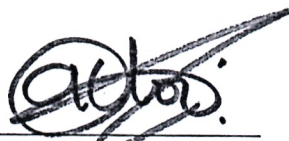
Nairobi

03 January, 2024

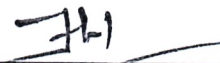
11. STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED 30th JUNE 2023.

	Note	2022-2023	2021-2022
		Kshs	Kshs
NON-TAX RECEIPTS			
RECEIPTS	1	282,191,910	588,577,979
TOTAL NON-TAX RECEIPTS		282,191,910	588,577,979
TOTAL RECEIPTS COLLECTED		282,191,910	588,577,979
TRANSFERS TO EXCHEQUER ACCOUNT	2	282,191,910	588,577,979
BALANCE BROUGHT FORWARD		-	-
BALANCE CARRIED FORWARD		-	-

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 28/6/2023 and signed by:



DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY



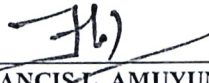
FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 DEPUTY ACCT. GENERAL

12. STATEMENT FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balance		-	-
TOTAL FINANCIAL ASSETS		-	-
TOTAL FINANCIAL ASSETS		-	-
FINANCIAL LIABILITIES			
Payables- Due to Exchequer		-	-
TOTAL FINANCIAL LIABILITIES			

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 28/6/2023 and signed by:


 DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY


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

13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

	Original Estimates	Revised Estimates	Actual	%Realized
	2022-2023	2022-2023	2022-2023	
Descriptions	-	-	-	
Contribution from Government Employees to Social and Welfare Schemes within Government	304,347,047	309,257,670	282,191,910	90%
Total Contributions	304,347,047	309,257,670	282,191,910	


NOTES:

31% contribution revenue is captured from parastatals and other state agencies returns for seconded officers to safeguard their pension, during the year we only received Kshs.196,698,528.80.

For Abatement, Widows and Children Pensions Scheme and other Liabilities (Chief Accountant Pensions, CAP) we only realised Kshs.85,493,380.70 being recoveries made from pensioner claim and paid during the period.

The above revenue statement was approved on 28/9, 2023 and signed by:


 DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY

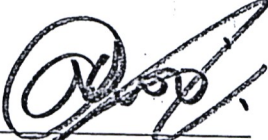

 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 DEPUTY ACCT. GENERAL


14. STATEMENT OF ARREARS OF REVENUE AS AT 30TH JUNE 2023

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2016	Amount in arrears for the immediate previous year to 30 June 2017	Amount in arrears for the current year to June 30 2018	Total arrears as at 30 June 2018	Measures taken to recover the arrears	Assessment to the recoverability of arrears
	(a)	(b)	(c)	(a+b+c)		
<u>Non Tax Revenues</u>						
31% Contribution	-	-	-	-		
2% WCPS	-	-	-	-		
Abatement	-	-	-	-		
Cap Deductions	-	-	-	-		
Total arrears	-	-	-	-		

There were no arrears of revenue relating to Pensions Department.

The above Statement of arrears of revenue was approved on 28/9, 2023 and signed by:


 DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY


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

15. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Pensions Department. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the entity.

2. Recognition of Revenue

The Pensions Department recognises all revenues from the various sources when the event occurs, and the related cash has been received by the entity.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in these revenue statements.

4. 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.

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012.

6. Disbursements to the Exchequer

The Receiver of Revenue has a daily arrangement for sweeping of funds from its bank account to the Exchequer account. Total disbursements to the exchequer are as a result of the sweeping arrangement during the year.

7. Comparative Figures

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

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended 30 June, 2023

16. NOTES TO THE REVENUE STATEMENT

1. OTHER REVENUE (NOT ELSEWHERE CLASSIFIED)

	2022-2023	2021-2022	Comments
	Kshs	Kshs	
General Deposit - PMG	-	-	-
Revenue			
2% Contribution	56,288,449	217,403,572	The amount varies with the pension payment and it's not certain.
31% Contribution	196,698,529	216,972,041	The amount depends on contribution by employees submitted by parastatals and other state agencies
Suspense			
Abatement	18,180,299	81,328,853	These are recoveries made on death claim.
Cap Deductions	11,024,633	72,873,513	The amount varies with the pension payment and it's not certain.
Totals	282,191,910	588,577,979	

2. SOCIAL SECURITY CONTRIBUTIONS

	Original Estimates	Revised Estimates	Actual	%Realized
	2022-2023	2022-2023	2022-2023	
Descriptions	-	-	-	
Contribution from Government Employees to Social and Welfare Schemes within Government	304,347,047	309,257,670	282,191,910	90%
Total Contributions	304,347,047	309,257,670	282,191,910	
Balance brought forward			-	
Transfers to the Exchequer account			282,191,910	
Balance carried forward			-	

17. APPENDICES

Appendix 1: Progress Report 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)	Timeframe: (Put a date when you expect the issue to be resolved)
52	Discrepancy Between Budget Statement and Printed Estimates	Revenue balance supported	Michael A. Kagika, EBS S/Director Pensions	Resolved	

The above revenue statement was approved on 28/9, 2023 and signed by:



DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY



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

Appendix 2: Bank Reconciliation

REPUBLIC OF KENYA		
		F.O. 30
PENSIONS DEPARTMENT		
NATIONAL TREASURY REVENUE COLLECTION A/C NO. 1000209518		
BANK RECONCILIATION STATEMENT AS AT 30 JUNE, 2023		
DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		NIL
Less 1&2		
1 PAYMENTS IN CASH BOOK NOT IN BANK		
<i>(UNPRESENTED CHEQUES)</i>	-	
TOTAL UNCLEARED EFFECTS		
2 RECEIPTS IN BANK NOT IN CASH BOOK		
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		NIL

"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.....

The National Treasury & Economic Planning
Statement of Revenue – Pensions Department
Revenue Statement for the year ended 30 June, 2023

Appendix 3: Trial Balance

	Debit	Credit
	Kshs	Kshs
2% Contribution		56,288,449
31% Contribution		196,698,529
Abatement		18,180,299
Cap Deductions		11,024,633
Exchequer account	282,191,910	
Totals	282,191,910	282,191,910

Appendix 3: Certificate of Balances



Haji Se'assie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 3346192

July 10, 2023

CERTIFICATE OF BALANCES

Customer: 120373 NATIONAL TREASURY

Balance

Date: 30-Jun-23

Account No	Account Name	Currency	Balance
1000204397	REC-PENSIONS	KES	16,535,287,865.55
1000209518	NATIONAL TREASURY REVENUE COLL.	KES	0.00
1000213744	EUROPEAN WIDOWS AND ORPHANS PENSION	KES	179,401,371.85
1000213752	ASIAN OFFICERS FAMILY PENSION FUND	KES	451,757,733.05
1000213768	PROVIDENT FUND KE AND EA COMMUNITY	KES	1,008,788,200.10
1000487044	PUBLIC SERVICE SUPERANNUATION SCHEM	KES	2,375,639,450.85

Priscilla Keitany (Mrs)
Senior Manager
Banking Services Division

Joyce Nasieku
Authorised Signatory
Banking Services Division