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THE AUDITOR-GENERAL

ON

**CONSOLIDATED FUND SERVICES (CFS) –
SALARIES ALLOWANCES AND
MISCELLANEOUS SERVICES**


**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL TREASURY

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Revised Template 30th June 2019



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THE NATIONAL TREASURY

SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

Table of Contents	Page
I. NATIONAL TREASURY INFORMATION AND MANAGEMENT.....	1
Mandate of the National Treasury	1
Role of the National Treasury in the Devolved System of Government	2
II. FORWARD BY THE CABINET SECRETARY	9
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES	12
IV. REPORT OF THE INDEPENDENT AUDITORS ON THE <i>NATIONAL TREASURY</i>	13
V. STATEMENT OF RECEIPTS AND PAYMENTS	14
VI. STATEMENT OF ASSETS AND LIABILITIES.....	15
VII. STATEMENT OF CASH FLOWS.....	16
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	17
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	18
X. SIGNIFICANT ACCOUNTING POLICIES	19
XI. NOTES TO THE FINANCIAL STATEMENTS.....	26
XII. ANNEXES:	
ANNEX 1: EXCHEQUER RECEIPTS.....	30
ANNEX: 2 SUMMARY OF PAYMENTS ON COMPENSATION TO EMPLOYEES.....	31
ANNEX: 3 ANALYSIS OF PAYMENTS ON GUARANTEED DEBT.....	32
ANNEX: 4 CASH BOOK EXTRACT.....	33
ANNEX:V ANALYSIS OF ACCOUNTS PAYABLES.....	34
ANNEX: VI ANALYSIS OF PRIOR YEAR ADJUSTMENTS.....	35
ANNEX: 7 CERTIFICATE OF BANK BALANCES.....	36
ANNEX: 8 BANK RECONCILIATION STATEMENT FOR CFS R052 – JULY, 2018 TO JUNE, 2019.....	37
ANNEX: 9 GENERAL LEDGERS FOR CFS R052 JULY, 2018 TO JUNE, 2019	38

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

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 committed to providing quality services to all and is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork.

Mandate of the National Treasury

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

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

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

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;

- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

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

(b) Key Management

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

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury operations. 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 four (4) 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. 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 five (5) Technical Departments each headed by a

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

Director:-

- Budget Department;
- Macro and Fiscal Affairs Department
- Financial and Sectoral Affairs Department;
- Inter-Governmental Fiscal Relations Department
- Public Procurement Department.

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:-

- Accounting,
- Finance,
- Human Resource Management and Development,

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

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THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Francis Musyimi, CBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Ag. Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
10.	Director, Public Procurement Department	Mr. Eric Korir
11.	Ag Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
15.	Ag Director, Financial Management Information System	Mr. Stanley Kamanguya
16.	Ag. Director, Public Private Partnership Unit	Mrs. Judy Nyakawa
17.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Shem Nyakutu
20.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mrs. Felister Kivisi
23.	Ag. Director of Administration	Ms. Margaret Muiru, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Mulavu
27.	Head, Internal Audit Unit	Ms. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mr. George Kariuki
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Maina Kigaga
32.	Head, Legal Unit	Mr. James Mwenda
33.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

(d) Fiduciary Oversight Arrangements

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

Audit Committee

The purpose of the Audit Committee is to assist the ministry's management in fulfilling their mandates. The committee undertakes the responsibilities of ensuring existence of adequate financial reporting processes, strong systems of internal controls and efficient operational activities carried out under existing laws and regulations for the ministry to achieve its intended objectives.

The National Treasury and Planning Audit Committee was launched on 22nd March 2019 and has met three times by end of June 2019. It has five members with the Internal Audit Unit as the Secretariat.

Internal Audit Unit

The National Treasury has an Internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officer on a regular basis.

Audit Query Committee

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

Project Implementation Committee

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

Parliamentary Activities

In order to effectively manage the parliamentary activities relating to the Ministry, the National Treasury has designated a liaison officer to coordinate the activities under the Office of the Cabinet Secretary in consultation with the Office of the Chief Administrative Secretary.

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

Development Partner Oversight

To effectively manage Official Development Assistance to the Government, the National Treasury has under the Public Debt Management Office; a Department responsible for all

matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

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

Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed a Senior Management Committee comprising of Directors General and Heads of Departments. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions of top management are implemented in a timely manner.

Public Financial Management Sector Working Group

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

Budget Implementation 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 the budget and the planned programmes and activities and advises the management accordingly.

Monitoring and Evaluation

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

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

(e) The National Treasury Headquarters

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Nairobi Kenya

The National Treasury Contacts

Telephone: (254)020-2252299

Email: info@treasury.go.ke

Website: www.treasury.go.ke

(f) The National Treasury Bankers

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

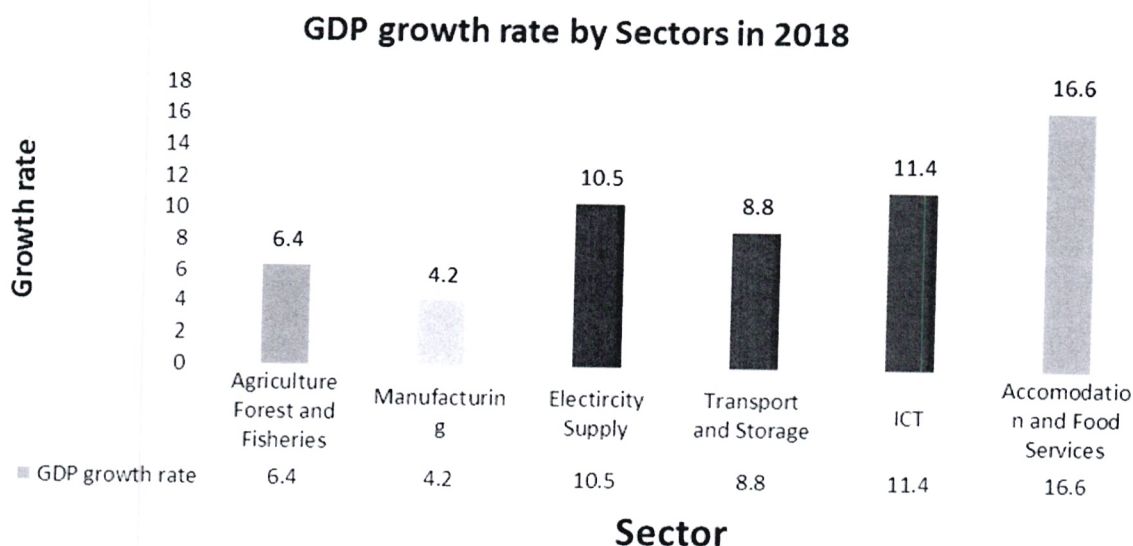
THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country.

As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, Economic growth remained resilient and broad based averaging 5.7% in the past 6 years and generating a total of around 5 million new jobs since 2013. Growth accelerated to 6.3% in 2018 from 4.9% in 2017. This growth is the highest to have been recorded for the past 8 years and well above the sub Saharan Africa region average growth of 3.0 percent and the global average of 3.6 percent. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transport and vibrant service sector activities. As a result of this economic growth, 860,000 new jobs were generated in the economy in 2018. Inflation remained within target, interest rates were stable, and exchange rates were competitive with adequate foreign exchange reserves equivalent to 6.2 months of import cover at the end of fiscal year 2018/19. The figure below shows the contribution of the GDP Growth rate by Sectors.

Figure 1: GDP Growth Rate by Sectors in 2018



In FY 2018/19, County Governments received **Ksh.314 billion** as their equitable share of revenue raised nationally. This represents 100 percent of the appropriation as per the CARA, 2018. In addition to the equitable share, the Counties received Ksh.46.1 billion in FY 2018/19, which comprised of:-

- Conditional allocation worth more than **Ksh.15 billion** derived from the National Government's equitable revenue share;
- Ksh.7.4 billion** from the Roads Maintenance Levy Fund (RMLF) collected by the Kenya Roads Board (KRB), of which 15 percent is set aside for County roads; and,

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

- c) Proceeds from external loans and grants totalling **Ksh.23.6 billion** earmarked to supplement financing of devolved functions.

Based on the above aggregate, payments to County government in FY 2018/19 amounted to **Kshs.360.1 billion**, representing 96 percent of the CARA, 2018 allocations. Including the FY 2018/19 payments, county governments have now received an estimated **Kshs.1.7 trillion** cumulatively since their establishment.

In all years, County Governments' equitable revenue share has been well above the minimum threshold defined in Article 203 (2) of the Constitution. Moreover, counties' equitable revenue share allocation has been fully disbursed in accordance with Article 219 of the Constitution, even when the shareable revenue outturn was less than projected revenue used in the Division of Revenue Act.

The National Treasury and Planning, successfully priced a new US dollar 2.1 billion, dual tranche Eurobond of 7-year and 12-year tenors on 15th May 2019 in London, United Kingdom. This is the third time Kenya has been in the International Debt Capital Markets. The first was in June 2014, when we launched the debut bond of US dollar 2.0 billion and tapped for a further US dollar 750 million, while the second was in February 2018 when a dual-tranche of US\$ 2.0 billion was issued (10-year tenor of US\$1.0 billion and 30-year tenor of US\$ 1.0 billion).

The announcement of Kenya issuance triggered an overwhelming response from investors that amounted to an order book of US\$ 9.5 billion, an oversubscription of 4.5 times. This overwhelming interest in Kenya's bond issue confirms the strong investor confidence in Kenya's economic policy management and prospects going forward.

The proceeds from this issuance will be used to (i) finance some of the development infrastructure projects, (ii) the general budgetary expenditure in accordance with the applicable legal requirements and (iii) to refinance part or all of the obligations outstanding under the US\$ 750 million (2014 Eurobond).

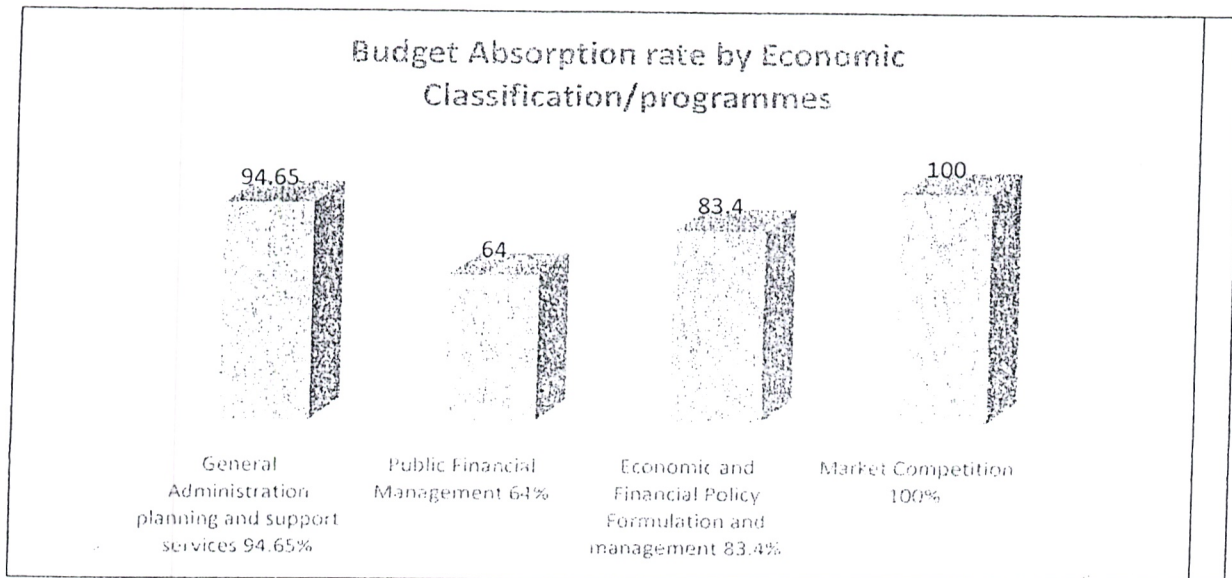
The National Treasury and Planning in its contribution to the Affordable Housing Agenda under the Big Four Plan launched the Kenya Mortgage Refinance Company (KMRC) in May 2019. This is a Public Private Partnership arrangement with majority private sector owned. KMRC will extend long term loans at fixed interest rate to financial institutions secured against mortgages so that they can extend the maturity of their housing loans to end borrowers hence increasing affordability. Given Kenya's urbanization rates, there is critical need to deliver housing at the lower end of the income spectrum in order to improve housing conditions for the average Kenyan. KMRC will seek to catalyze growth of the mortgage market in Kenya by targeting households that fall within the mortgage gap and lower middle-income categories which represents about 95% of the formally employed population.

In terms of budget performance, the National Treasury expenditure stood at Kshs.54.417b against an approved budget of **Kshs.64.865b**. The National Treasury implemented the 2018/19 budget within four economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management and Market Competition. As demonstrated in figure 2 below, the Market

NATIONAL GOVERNMENT ENTITY – (THE NATIONAL TREASURY & PLANNING)

Reports and Financial Statements for the year ended June 30, 2019

Figure 2: Budget Absorption rate by Economic Classification/Programmes



Some of the challenges the National Treasury faced while implementing the 2018/19 budget include:-

- Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
- Low absorption of Official Development Assistance (ODA).
- Inadequate Exchequer issues thus contributing to the pending bill increment from **Kshs.29.3b** to **Kshs.64.7b** in FY2018/19.
- Inadequate capacity of staff in some key technical Departments.

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

- Domestic borrowing to plug the financing gap created by non-performing revenue.
- Expenditure reduction strategies such as austerity measures and a ban on new projects to ensure available money is used in completing old projects and prepared draft Public Investment Management Regulations.
- Strengthened capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthened financial and fiscal relations between the national government and county governments.
- Enhanced the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
- Promoted the Public Private Partnership initiatives to finance government capital projects.
- Engaged other developments partners for concessional loans and grants as well as pursued strategies to facilitate issuance of international bonds to finance government projects.


HON. A.M.B, UKUR YATTANI, EGH
AG. CABINET SECRETARY

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of *The National Treasury* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. 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 Accounting Officer in charge of The National Treasury accepts responsibility for the entity's financial statements, 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). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of The National Treasury's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Accounting Officer in charge of *The National Treasury* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


The Accounting Officer in charge of *The National Treasury* confirms that the entity 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 Accounting Officer confirms that the entity's financial statements 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 financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 4/2 2021.



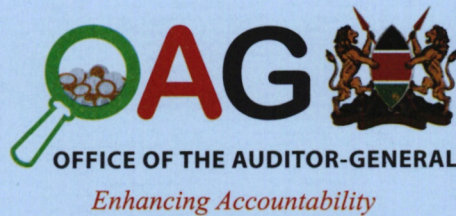
JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY



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REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES (CFS) - SALARIES ALLOWANCES AND MISCELLANEOUS SERVICES FOR THE YEAR ENDED 30 JUNE, 2019 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Consolidated Fund Services (CFS) – Salaries, Allowances and Miscellaneous Services set out on pages 14 to 29, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Prior Year Adjustments

As disclosed in Note 10 to the financial statements, the statement of assets and liabilities reflects a prior year adjustment of Kshs.158,249,113;(2018-Kshs.18,420,097). However, the disclosures are inadequate as they are not supported by way of an itemized breakdown of the adjustment.

Consequently, the accuracy of the prior year adjustment of Kshs.158,249,113 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Consolidated Fund Services - Salaries, Allowances and Miscellaneous Services Management in accordance with ISSAI 130

on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Provisions and Performance

The summary statement of appropriation: recurrent and development combined reflects final miscellaneous services budget and actual on comparable basis of Kshs.128,000,000 and Nil respectively. As similarly reported in 2017/2018, the planned activities and programmes on the budgetary provision have not been disclosed.

2. Prior Year Issues

The following prior year audit matters remained unresolved as at 30 June, 2019;

2.1. Accuracy of the Financial Statements and Records

A review of various balances reflected in the financial statements for the year ended 30 June, 2018 revealed that records maintained by Management reflected different balances though relating to the same items as highlighted below:

- i) The statement of receipts and payments reflected an expenditure of Kshs.2,685,214,290 under compensation of employees. The Trial Balance reflected a credit balance of Kshs.3,217,869,377 on the same item while the payroll and payment vouchers showed a total expenditure of Kshs.2,675,257,162. The differences between the three sets of records have not been reconciled.
- ii) An analysis of the 'off payroll' payments reflected an expenditure of Kshs.256,036,689 while the physical vouchers availed and examined for the period indicate a total expenditure of Kshs.254,479,596. An expenditure of Kshs.1,557,093 could not therefore be vouched or explained.

The expenditure on Teachers Service Commissioners as per the supporting schedules was Kshs.70,500,744 while the Ledger reflected a balance of Kshs.55,586,543 for the same period. The difference of Kshs.14,914,201 was not explained.

- iii) Examination of schedules supporting the expenditure for the Independent Electoral and Boundaries Commission in the statement of receipts and payments reflected a closing balance of Kshs.61,788,248 while the payroll reflected an

amount of Kshs.51,679,730 The difference of Kshs.10,108,518 was not explained. In addition, the amount was not recorded in the Ledger and Trial Balance.

- iv) Examination of payment vouchers revealed that an amount of Kshs.23,705,121 paid to two retired officers of the National Gender and Equality Commission (NGEC) was wrongly charged to the National Police Service Commission (NPSC) expenditure item. No adjustment has been made to correct the anomaly.
- v) The ledger reflected an expenditure of Kshs.100,210,801 for the National Cohesion and Integration Commission while the payment vouchers examined indicates a total of Kshs.97,017,530. The difference of Kshs.3,193,271 was not explained or reconciled.
- vi) The Trial Balance provided for audit included balances which had not been identified as either debits or credits. Whereas the Trial Balance represents a prima facie evidence on the accuracy of recording of all the transactions affecting an entity, it was difficult to establish whether the two sides of the Trial Balance balanced as at 30 June, 2018. The accuracy of the financial statements' figures cannot therefore be ascertained without confirming the balancing of the Trial Balance.

In absence of an accurate Trial Balance, the resultant financial statements could have been grossly misstated and may not have reflected a true and fair view of the operations of the Consolidated Fund Service - Salaries, Allowances and Miscellaneous Services for the year ended 30 June, 2018.

2.2. Unsupported Prior Year Adjustments

The statement of assets and liabilities as at 30 June, 2018 reflected prior year adjustment of Kshs.18,420,097 (2017: Kshs.26,919,334) which was not supported. As reported similarly in the previous years' audit reports, Management has not explained the genesis for the adjustments or provided any records by way of journal vouchers or entries in the ledger. It appears Management may have used the 'prior year adjustments' as a way of balancing inaccuracies and inconsistencies in the financial records.

In absence of sufficient verifiable supporting documents and records, the authenticity of such adjustments in the financial statements cannot be ascertained.

2.3. Account Balances Not Recorded in Ledger

The financial statements for the year 2016/2017 reflected balances of individual items that were not reflected in the ledger of the Consolidated Fund Services - Salaries, Allowances and Miscellaneous Services as indicated below; -

Account	Amount Kshs.
Exchequer releases	3,905,744,684
Transfers from other government Entities	362,830,853
Other Receipts	18,420,097

The figures in the financial statements in respect to the specific items could not be authenticated.

2.4. Unsupported Restatement of Balances

The financial statements for the year ended 30 June, 2016 reflected balance brought forward amounts under Fund balance, compensation of employees and accounts receivables of Kshs.8,566,405,035, Kshs.2,416,693,457 and nil which had been restated from Kshs.397,382,932, Kshs.2,418,352,317 and 8,663,621,032 respectively, reflected in the audited financial statements for 2014/2015. The statement of financial position also showed clearance of outstanding items of Kshs.11,980,334. This has not been explained nor details of the adjustments provided.

Consequently, the accuracy of the balances reflected in the financial statements cannot be confirmed.

2.5. Unexplained Balance

The statement of assets and liabilities as at 30 June, 2017 reflected a balance of Kshs.4,456,673 referred to as "difference". Management has not explained what this amount related to. Further the item does not appear in the subsequent financial statements and there is no disclosure on how it was dealt with.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Consolidated Fund Services - Salaries, Allowances and Miscellaneous Services ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

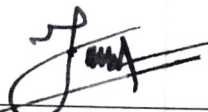
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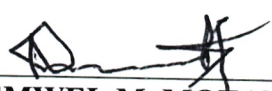
THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019	2017-2018
		Kshs	Kshs
RECEIPTS			
Exchequer releases	1	4,406,494,416	3,829,178,171
Other Receipts	2	-	5,951,981
TOTAL RECEIPTS		4,406,494,416	3,835,130,152
PAYMENTS			
Compensation of Employees	3	3,024,887,022	2,685,214,290
Finance Costs, including Loan Interest	4	41,243,445	61,486,944
Repayment of principal on Domestic and Foreign borrowing	5	1,319,950,403	987,806,909
Other Payments	6	603,615	3,947,637
TOTAL PAYMENTS		4,386,684,486	3,738,455,780
SURPLUS/DEFICIT		19,809,931	96,674,372

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 4/21 2021 and signed by:


JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY

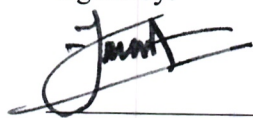

NEMWEL M. MOTANYA
ICPAK MEMBER NUMBER: 2367
HEAD OF ACCOUNTING UNIT


THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019	2017-2018
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	21,998,907	158,864,022
Total Cash and cash equivalent		21,998,907	158,864,022
TOTAL FINANCIAL ASSETS		21,998,907	158,864,022
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	8	1,574,067	-
NET FINANCIAL ASSETS		20,424,839	158,864,022
REPRESENTED BY			
Fund balance b/fwd	9	158,864,022	43,769,554
Prior year adjustment	10	(158,249,113)	18,420,097
Surplus/Deficit for the year		19,809,931	96,674,372
NET FINANCIAL POSITION		20,424,839	158,864,023

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 4/2/2021 2021 and signed by:


JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
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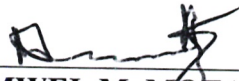
THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

VII. STATEMENT OF CASH FLOWS

		2019-20 18	20 17 -20 18
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	4,406,494,416	3,829,178,171
Other Receipts	2	-	5,951,981
		4,406,494,416	3,835,130,152
Payments for operating expenses			
Compensation of Employees	3	3,024,887,022	2,685,214,290
Finance Costs, including Loan Interest	4	41,243,445	61,486,944
Other Payments	6	-	3,947,637
		3,066,734,082	2,750,648,871
Adjusted for:			
Changes in payables	8	1,574,067	(18,420,097)
Adjustments during the year	10	(158,249,113)	18,420,097
Net cash flow from operating activities		1,183,085,287	1,084,481,281
CASHFLOW FROM BORROWING ACTIVITIES			
Repayment of principal on Domestic and Foreign borrowing	5	(1,319,950,403)	(987,806,909)
Net cash flow from financing activities		(1,319,950,403)	(987,806,909)
NET INCREASE IN CASH AND CASH EQUIVALENT		(136,865,115)	96,674,372
Cash and cash equivalent at BEGINNING of the year	9	158,864,022	62,189,652
Cash and cash equivalent at END of the year		21,998,907	158,864,024

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 4/21 2021 and signed by:


JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY


NEMWEL M. MOTANYA
ICPAK MEMBER NUMBER: 2367
HEAD OF ACCOUNTING UNIT

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 Reports and Financial Statements
 For the year ended June 30, 2019


VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	5,693,781,724	-	5,693,781,724	4,406,494,416	1,287,287,308	77%
TOTAL RECEIPTS	5,693,781,724	-	5,693,781,724	4,406,494,416	1,287,287,308	77%
PAYMENTS						
Compensation of Employees	4,192,672,750	-	4,192,672,750	3,024,887,022	1,167,785,728	72%
Finance Costs, including Loan Interest	40,547,610	-	40,547,610	41,243,445	(695,835)	102%
Repayment of principal on Domestic and Foreign borrowing	1,332,561,364	-	1,332,561,364	1,319,950,403	12,610,961	99%
Miscellaneous Services	128,000,000	-	128,000,000	-	128,000,000	
Other Payments	-	-	-	603,615	(603,615)	
TOTAL PAYMENTS	5,693,781,724	-	5,693,781,724	4,386,684,485	1,307,700,853	77%
Surplus/ Deficit				19,809,931	(19,809,931)	

Notes:

- i. *There was an under expenditure of 28 % on compensation of employees due to over budgeting in some of Independent offices and failure to fill vacant posts for commissioners whose contracts expired*
- ii. There was overutilization of 2% on guaranteed loan interest due fluctuation in exchange rates.

The entity financial statements were approved on 4/2/ 2021 and signed by:


JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY


NEMWEL M. MOTANYA
ICPAK MEMBER NUMBER: 2367
HEAD OF ACCOUNTING UNIT

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Reports and Financial Statements
For the year ended June 30, 2019


IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

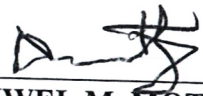
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	5,693,781,724	-	5,693,781,724	4,406,494,416	1,287,287,308	77%
Other Receipts	-					
TOTAL RECEIPTS	5,693,781,724	-	5,693,781,724	4,406,494,416	1,287,287,308	77%
PAYMENTS						
Compensation of Employees	4,192,672,750	-	4,192,672,750	3,024,887,022	1,167,785,728	72%
Finance Costs, including Loan Interest	40,547,610	-	40,547,610	41,243,445	(695,835)	102%
Repayment of principal on Domestic and Foreign borrowing	1,332,561,364	-	1,332,561,364	1,319,950,403	12,610,961	99%
Miscellaneous Services	128,000,000	-	128,000,000	-	128,000,000	
Other Payments	-	-	-	603,615	(603,615)	-
TOTAL PAYMENTS	5,693,781,724	-	5,693,781,724	4,386,684,485	1,307,097,239	77%
Surplus/ Deficit				19,809,931	(19,809,931)	

Notes:

- i. *There was an under expenditure of 28 % on compensation of employees due to over budgeting in some of Independent offices and failure to fill vacant posts for commissioners whose contracts expired*
- ii. There was overutilization of 2% on guaranteed loan interest due fluctuation in exchange rates.

The entity financial statements were approved on 4/2 2021 and signed by:


JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY


NEMWEL M. MOTANYA
ICPAK MEMBER NUMBER: 2367
HEAD OF ACCOUNTING UNIT

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

X. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the *National Treasury*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and does not comprise development projects.

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

• Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity).

SIGNIFICANT ACCOUNTING POLICIES

- **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

- **Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

- **Repayment of Borrowing (Principal Amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

- **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to Kshs zero compared to Kshs zero in prior period.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1st July 2018 to 30th June 2019 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2019.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

XI. NOTES TO THE FINANCIAL STATEMENTS (Annex. 1)

1 EXCHEQUER RELEASES

Description	20 18 -20 19	20 17 -20 18
	Kshs	Kshs
Total Exchequer Releases for quarter 1	781,700,000	904,423,198
Total Exchequer Releases for quarter 2	1,232,397,036	1,269,724,288
Total Exchequer Releases for quarter 3	934,423,990	1,040,030,685
Total Exchequer Releases for quarter 4	1,457,973,390	615,000,000
Total	4,406,494,416	3,829,178,171

The budgeted exchequer was Kshs.5,693,781,724. However, only Kshs. 4,406,494,416 was received.

2 OTHER RECEIPTS

Description	2018 -2019	2017 -2018
	Kshs	Kshs
Other Receipts	-	5,951,981
Receipts from Voluntary transfers other than grants	-	-
Total	-	5,951,981

These are direct deposits into the entity's bank account relating to 3% commission from various entities. They were credited into CFS R-52 bank account instead of Deposit account of The National Treasury.

3 COMPENSATION OF EMPLOYEES (Annex 2)

	2018 -2019	2017 -2018
	Kshs	Kshs
Basic salaries of permanent employees	3,024,887,022	2,685,214,290
Total	3,024,887,022	2,685,214,290

The increase in expenditure from Kshs. 2,685,214,290 in financial year 2017/2018 to Kshs. 3,024,887,022 reported in 2018/2019 is attributed to payment of service gratuities to Commissioners whose term of service expired during the year, annual increments and other allowances.

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 FINANCE COSTS, INCLUDING LOAN INTEREST (Annex 3)

Explanation	2018 -2019	2017 -2018
	Kshs	Kshs
Interest Payments on Foreign Borrowings	-	-
Interest Payments on Guaranteed Debt by Govt	41,243,445	61,486,944
Interest on Domestic Borrowings (Non-Govt)	-	-
Interest on Borrowings from Other Government Units	-	-
Total	41,243,445	61,486,944

5 REPAYMENT OF PRINCIPAL ON DOMESTIC LENDING AND ON-LENDING (Annex 3)

Explanation	2018 -2019	2017 -2018
	Kshs	Kshs
Principal repayments on domestic loans	-	-
Principal repayments on Guaranteed Debt by Government	1,319,950,403	987,806,909
Repayments on borrowings from other domestic creditors	-	-
Repayment of Principal from Foreign Lending & On – Lending	-	-
Total	1,319,950,403	987,806,909

The repayments were made to Japan International Corporation Agency in respect of guaranteed loans to Kenya Broadcasting Corporation (KBC), East African Portland Cement and Tana and Athi Rivers Development Authority(TADRDA).

6 OTHER PAYMENTS

	2018 -2019	2017 -2018
	Kshs	Kshs
Other payments to other entities	603,615	3,947,637
Total	603,615	3,947,637

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Bank Accounts (Annex 4)

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developm ent, deposit e.t.c	Exc rate (if in foreign currency)	2018 -2019	2017 -2018
				Kshs	Kshs
<i>Central Bank of Kenya, CFS Salaries, Allowances & NSSF-A/C No. 1000204419 (Kes)</i>	21,998,907	Recurrent	-	21,998,907	158,864,022
Total				21,998,907	158,864,022

8. ACCOUNTS PAYABLE (Annex 5)

Description	2018 -2019	2017 -2018
	Kshs	Kshs
Deposits	1,574,067	-
Total	1,574,067	-

These are direct deposits into the entity's bank account relating to 3% commission from various entities. They were credited into CFS R-52 bank account instead of Deposit account of The National Treasury.

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

9. FUND BALANCE BROUGHT FORWARD

Description	2018 -2019	2017-2018
	Kshs	Kshs
Bank accounts	158,864,022	62,189,652
Accounts Payables	-	(18,420,097)
Total	158,864,022	43,769,555

10. PRIOR YEAR ADJUSTMENTS (Annex 6)

Description of the error	2018 -2019	2017 -2018
	Kshs	Kshs
Adjustments on bank account balances	(158,249,113)	-
Adjustments on payables	-	18,420,097
Total	(158,249,113)	18,420,097

Prior year adjustments relate to the following:

- i) Opening bank balance that was recovered by Exchequer at the beginning of the financial year*
- ii) Returned salary for prior period that was transmitted to the recipient during the year.*
- iii) Long outstanding reconciliation items relating to previous periods adjusted during the year.*

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019


11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1(a)	Variance between comparative prior year adjustment of Kshs. 31,142,627.00 and Kshs. 26,919,334.00 in the Statement of Assets and Liabilities as at 30.06.2018.	Prior year adjustment was reflected in the note as Kshs. 31,142,627.00 instead of Kshs. 26,919,334.00. The note has since been amended.	Mr. Makumi / Dorcas /Anyanga/Tonui	Resolved	
(b)	Variation between the payroll and Trial Balance.	The Trial Balance was updated and is in agreement with the payroll.	Mr. Makumi / Dorcas/Anyanga/ Tonui	Unresolved	At time of audit review.
2	Unsupported prior year adjustment of Kshs. 18,420,097.00	The amount relates to direct deposits reported as accounts payable in the previous year and paid to Exchequer.	Mr. Makumi / Dorcas/Anyanga/ Tonui	Unresolved	At time of audit review.
3(a)	Receipts in Bank statement not in Cash Book.	Receipts were later posted in Cash Book	Mr. Makumi / Dorcas/Anyanga/ Tonui	Resolved	

THE NATIONAL TREASURY
CFS SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES
Reports and Financial Statements
For the year ended June 30, 2019

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)
3(b)	Payments in Cash Book not in Bank Statement	Payments relate to failed transmissions that were later paid.	Mr. Makumi / Dorcas/Anyanga/Tonui	Resolved	
4.1	Account Balances not recorded in the ledger	All balances were later recorded in the ledger.	Mr. Makumi / Dorcas/Anyanga/Tonui	Resolved	
4.2	Unsupported restatement of balances.	Statement of expenditure was revised to exclude returned salaries and overpayment recoveries.	Mr. Makumi / Dorcas/Anyanga/Tonui	Unresolved	At time of audit review.



JULIUS MUIA, PhD, EBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
ICPAK MEMBER NUMBER: 2367
HEAD OF ACCOUNTING UNIT

