

REPUBLIC OF KENYA



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THE AUDITOR-GENERAL

ON

**CONSOLIDATED FUND SERVICES – SALARIES,
ALLOWANCES AND MISCELLANEOUS
SERVICES**

**FOR THE YEAR ENDED
30 JUNE, 2025**

THE NATIONAL TREASURY

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THE NATIONAL TREASURY

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

The National Treasury
CFS Salaries Allowances & Miscellaneous Services
Annual Report and Financial Statements for the financial year ended 30 June, 2025

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1. ACRONYMS AND DEFINITION OF KEY TERMS

A. Acronyms and Abbreviations

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

B. Definition of Key Terms

Appropriation in Aid: Revenue collected by various Government Ministries, Departments and Agencies (MDAs) and spent at source after appropriation.

Career Development Guidelines: A policy document that provides clearly defined career structures, well-defined job descriptions and specifications, standards for recruitment, training, advancement, career planning, and succession management.

Carbon Credits: Are financial instruments where the buyer compensates another entity to undertake measures aimed at lowering its greenhouse gas emissions. The purchaser then receives recognition for these emissions reductions.

County Allocation of Revenue Bill: A Bill for an Act of Parliament, prepared in fulfilment of the requirements of Article 218(2) of the Constitution and Section 191 of the Public Finance Management Act, 2012, to provide for the equitable allocation of revenue raised nationally among the county governments in every financial year and the responsibilities of national and county governments pursuant to such allocation and for connected purposes.

County Governments Additional Allocation Bill: A Bill for Act of Parliament to provide for additional allocations (conditional and unconditional) to county governments; the responsibilities of National t and county governments pursuant to such allocations; and for connected purposes.

Evaluation: Refers to a systematic and objective assessment of ongoing or completed activities. The aim is to determine the relevance and level of achievement of activity objectives, effectiveness, efficiency, impact and sustainability. Evaluations also feed lessons learnt into the decision-making process.

Emerging Issues: This refers to recent occurrences /events /phenomena which might impact the sector negatively or positively. They include environmental, policy, legal, technological, economic, political, social and cultural.

Monitoring: Is a continuous assessment that aims at providing all stakeholders with early detailed information on the progress or delay of the ongoing assessed activities. It is an oversight of the activity's implementation stage.

Public Financial Management Reforms: These are reforms aimed at strengthening Public Finance Management (PFM) systems to enhance effectiveness of the budget processes, improve transparency and deployment of Public Private Partnership arrangements in funding infrastructural projects, among others.

Risk: The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Value for Money (VFM) Audits: To give assurance on prudent utilization of public resources and establish whether funds have been used economically, efficiently and effectively.

2. KEY NATIONAL TREASURY INFORMATION AND MANAGEMENT

a) Background Information

The National Treasury was established vide the Executive Order No. 1 of 2025. The basis for establishment of the National Treasury is found in Article 225 (1) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

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

b) 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 2025. The National Treasury exercises its mandate in consistency with any other legislation as developed or reviewed by Parliament from time to time.

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

- i.** Overall Economic Policy Management;
- ii.** Management of Public Finance;
- iii.** Formulation of National Budget;
- iv.** Public Debt Management;
- v.** Formulation and Maintenance of Government Accounting Standards;
- vi.** Bilateral and Multi-Lateral Financial Relations;
- vii.** Capital Markets Policy;
- viii.** Oversight of Revenue Collection as prescribed;
- ix.** Competition Policy Management;
- x.** Insurance Policy and Regulation;
- xi.** Development and Enforcement of Financial Governance Standards;
- xii.** Financial Sector Analysis and Management including SACCOs, NSSF and SHA;
- xiii.** Financial Institutions Oversight;
- xiv.** Management of National and County Governments Financial Management System and Standards;
- xv.** Development of Kenya as an International Financial Centre;
- xvi.** Anti-Money Laundering Policy; and
- xvii.** Development and promotion of carbon trading (carbon credit markets) as an emerging asset class within the capital markets.

Vision

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

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Mission

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

Core Values

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

- Stakeholder participation;
- Transparency and accountability;
- Results oriented;
- Integrity;
- Customer focus; and
- Teamwork and commitment;

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 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.

c) Key Management

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

Office of the Principal Secretary

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

Organizational Structure of the National Treasury

The National Treasury is organized into four (4) technical Directorates headed by Directors General and one (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary.

Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the National Treasury has two independent departments namely Public Procurement and Internal Audit headed by a Director and Internal

Auditor General respectively. The National Treasury also has a Public Finance Management Reforms 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

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 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 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.

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Directorate of Public Investment and Portfolio Management

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

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

Directorate of Public Private Partnership

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

Note: Directorate of Public Investment and Portfolio Management and Directorate of Public Private Partnership have since been transferred from the National Treasury to the new State Department for Public Investment and Assets Management vide Executive Order No. 1/ 2025 dated June, 2025.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 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, MBS
4.	Director General, Accounting Services	FCPA. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet, EBS
6.	Director General, PDMO	Mr. Raphael O. Otieno
7.	Director General, PPP	Eng. Kefa Seda
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje, OGW
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangala, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Internal Auditor General	Dr. CPA. Sammy Kimunguyi, CFE, CISA
14.	Director, Government Accounting Services Department	CPA, FA. Jona Wala
15.	Director, National Sub County Treasuries	CPA. Francis Kariuki, OGW
16.	Ag. Director, Integrated Financial Management Information System	Mr. Mboni Kyallo
17.	Director, National Assets and Liability Management	CPA. Geoffrey Malombe, ndc(k)
18.	Director, Government Investment and Public Enterprises	CPA. Kennedy Ondieki, EBS
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Director, Public Investment Management Unit	Mr. Orumoi Jonah
22.	Director, Resource Mobilization Department	Mr. Amos Cheptoo

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23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Director, Debt Recording and Settlement Department	Mr. Jeremiah Tomno
25.	Ag. Director Administration	Mr. Denis Kirui
26.	Director Accounting Services/Head, Accounts Division	CPA. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Director/Head, Supply Chain Management Unit	Mr. Caleb Ogot
29.	Senior Deputy Internal Auditor General/Head, Internal Audit Unit	CPA. Lucy Mugwe
30.	Principal State Law Counsel, Legal Unit	Ms. Faith Chirchir
31.	Director, Human Resource Management and Development	Mr. Benson Giuthua, OGW
32.	Director, Information Communication and Technology	Mr. Edward Ruteere
33.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
34.	Director, Public Communications Unit	Mr. Godfrey Isiye
35.	Ag. Director Government Digital Payments Unit	Mr. Silas Oswe
36.	Director, Exchequer Services	CPA. Jane Wacuka, OGW
37.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett

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 Committee

In line with the Public Finance Management Act, 2012 the National Treasury has established a Ministerial Audit Committee comprising five members, four of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

The committee support the Accounting Officer with regard to the responsibilities on issues of risk management, internal controls, governance and associated assurance. The Committee also follow up on the implementation of the recommendations of internal and external auditors.

ii. Public Finance Management Committees

Budget Implementation Steering Committee

In order to effectively monitor the implementation of the National Government budget, the National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury. 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.

Public Finance Management Standing Committee (PFMSC)

Established to provide strategic guidance on Public Finance Management according to the Public Finance Management (National Government) Regulations. The committee is crucial for ensuring prudent financial management and accountability at the National Treasury.

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.

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.

iii. **Top Management Committee**

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2024/25.

iv. The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC) The National Treasury undertakes monitoring and evaluation exercises to establish progress made in the implementation of various programmes and projects including those that are funded by the development partners.

The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC) is a dedicated technical committee which was established by PS/NT on 28th May, 2024 to mainstream PM&E practices within the National Treasury and ensure effective oversight and evaluation of fiscal policies, budgetary allocations, and public investments.

The Committee is mandated to enhance the efficiency, transparency, and accountability of the planning, budgeting, financial management, and M&E practices within the National Treasury. It aims to provide systematic oversight, evaluation, and evidence-based recommendations for functional and operational efficiency and realization of intended strategic outcomes.

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The National Treasury Bankers

Central Bank of Kenya
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City Square 00200
NAIROBI, KENYA

Independent Auditors

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

Principal Legal Adviser

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

3. PROFILE OF CABINET SECRETARY, THE NATIONAL TREASURY



HON. FCPA. JOHN MBADI NG'ONGO, EGH is the Cabinet Secretary (CS) for The National Treasury. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012. In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration. His contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills.

4. PROFILE OF PRINCIPAL SECRETARY, THE NATIONAL TREASURY



DR. CHRIS K. KIPTOO, CBS is the Principal Secretary, the National Treasury. He was appointed Principal Secretary by H.E the President William Samoei Ruto on 1st December, 2022. Since his appointment, Dr Kiptoo has been at the forefront in implementing Fiscal consolidation, Public Debt management including the Eurobond, expenditure rationalization, revenue mobilization as well as reform of state-owned enterprises (SOEs).

Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector; macroeconomic accounting, modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa.

Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

5. STATEMENT BY THE CABINET SECRETARY, THE NATIONAL TREASURY

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 2024/25 marked the third year following the transition from the previous administration to the current one. The FY 2024/25 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

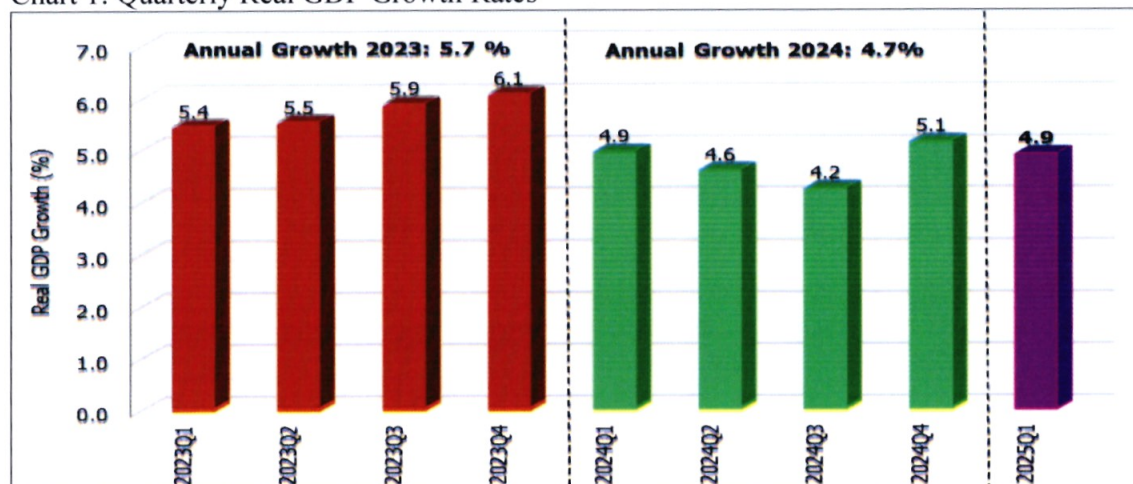
Economic Growth

In 2024, the economy grew by 4.7 percent supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 percent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities.

The economy remained strong and resilient in the first quarter of 2025 with a growth of 4.9 percent, a similar growth compared to the corresponding quarter of 2024 (Chart 1). This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

All economic sectors recorded positive growth rates in the first quarter of 2025, though the magnitudes varied across activities. The diversified structure of the economy remains a key source of resilience for the economy to domestic and external shocks.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

The primary sector grew by 6.2 percent in the first quarter of 2025 compared to a growth of 4.5 percent in the first quarter of 2024 (Table 1). This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.0 percent in the first quarter of 2025 compared to a growth of 5.6 percent in a similar quarter in 2024. This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in production of sugarcane, milk deliveries and increased coffee exports. The sector's

performance was further supported by improved external demand of cut flowers and vegetables. However, the sector's performance was somewhat curtailed by a decline in tea production.

The mining and quarrying sub-sector contributed to the overall primary sector performance with a strong rebound of 10.0 percent during the quarter, reflecting increased activity and renewed investment following a period of subdued performance in the previous year.

The industry sector recorded a growth of 2.6 percent in the first quarter of 2025, improving from 1.5 percent in the same quarter of 2024. This growth was driven by positive performance across manufacturing, electricity and water supply, and construction.

The manufacturing sub-sector grew by 2.1 percent compared to a growth of 1.9 percent in the first quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sector benefitted from strong increases in coffee auctions, milk deliveries, sugar production, and soft drink output. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets. However, the sector faced some constraints due to a decline in credit to manufacturing enterprises.

The electricity and water supply sub-sector grew by 3.6 percent, compared to 2.8 percent in Q1 2024, largely due to a rise in total electricity generation. Renewable energy sources contributed significantly, with solar and wind generation increasing. Growth in the sector was curtailed by an increase in Thermal power generation while hydro and geothermal generation declined.

Construction sub-sector grew by 3.0 percent in the first quarter of 2025, up from 0.4 percent in Q1 2024, driven by increased consumption of key inputs such as cement and iron and steel. However, imported bitumen volumes declined, suggesting a potential slowdown in road construction activities.

In the first quarter of 2025, the services sector recorded a real GDP growth of 4.8 percent, a slowdown from the 6.8 percent growth posted in the corresponding quarter of 2024. The decline can be attributed to a combination of factors including rising prices, a slowdown in manufacturing, and the lingering effects of the COVID-19 pandemic. The Transportation and Storage sub-sector expanded by 3.8 percent, slightly lower than the 4.1 percent growth in Q1 2024, supported by increased land transport and port activity.

Accommodation and Food Service activities grew by 4.1 percent in the first quarter of 2025, a slowdown, compared to a growth of 38.1 percent in the first quarter of 2024. The growth is due to several factors, including the recovery from the COVID-19 pandemic, increased domestic tourism, and a growing middle class with more disposable income. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) increased by 0.5 percent in the first quarter of 2025 compared to a 10.4 percent growth in the first quarter of 2024. This is due to Government initiatives geared towards promoting domestic tourism and improving infrastructure also contribute to this growth.

The Information and Communication sub-sector grew by 5.8 percent in the first quarter of 2025, compared to 9.2 percent growth in the corresponding quarter of 2024. This performance was supported by an increase in the volume of outgoing domestic voice traffic, use of domestic Short Messaging Services (SMSs) and mobile money transactions. Similarly, the total utilized international bandwidth increased in the first quarter of 2025, mainly attributed to the launch of an additional internet service provider in the country.

The Financial and Insurance sub-sector recorded a slower growth of 5.1 percent in the first quarter of 2025 compared to 9.6 percent growth in the corresponding quarter of 2024. Despite

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the overall slowdown, the sector remained buoyed by increased activity in financial transactions and improved credit conditions.

Table 1: Sectoral Real GDP Growth rate (Percent)

Sectors	Annual Growth Rates		Quarterly Growth Rates		
	2023	2024	2023 Q1	2024 Q1	2025 Q1
1. Primary Industry	5.7	3.9	5.4	4.5	6.2
1.1. Agriculture, Forestry and Fishing	6.6	4.6	6.5	5.6	6.0
1.2. Mining and Quarrying	(6.5)	(9.2)	(10.6)	(16.1)	10.0
2. Secondary Sector (Industry)	2.6	1.5	2.1	1.5	2.6
2.1. Manufacturing	2.2	2.8	2.1	1.9	2.1
2.2. Electricity and Water supply	3.2	1.9	3.8	2.8	3.6
2.3. Construction	3.0	(0.7)	1.4	0.4	3.0
3. Tertiary sector (Services)	6.8	6.1	6.6	6.8	4.8
3.1. Wholesale and Retail trade	3.3	3.8	3.7	3.6	5.4
3.2. Accommodation and Restaurant	33.6	25.7	46.3	38.1	4.1
3.3. Transport and Storage	5.5	4.4	6.8	4.1	3.8
3.4. Information and Communication	10.3	7.0	10.4	9.2	5.8
3.5. Financial and Insurance	10.1	7.6	4.7	9.6	5.1
3.6. Public Administration	5.0	8.2	8.4	7.5	6.5
3.7. Others	6.1	5.2	5.7	5.8	4.4
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.4	4.6
Real Estate	7.3	5.3	6.6	6.9	5.3
Education	2.9	3.9	3.6	2.4	2.9
Health	4.5	6.3	4.8	5.4	4.8
Taxes less subsidies	3.2	4.4	2.7	2.9	5.7
Real GDP	5.7	4.7	5.4	4.9	4.9
of which Non-Agriculture	5.8	4.8	5.5	5.0	4.5

Source of Data: Kenya National Bureau of Statistics

The implementation of the FY 2024/25 budget faced notable challenges, primarily following the withdrawal of the Finance Bill 2024. Its withdrawal, alongside the associated public demonstrations, adversely affected economic activity and disrupted business operations across the country, compounding the fiscal pressures facing the Government. In response, the Government undertook a revision of the fiscal framework through Supplementary Estimates No. I in August 2024. This revision reflected a lower revenue base following the preliminary outcomes of FY 2023/24, while also addressing immediate cash flow constraints. These adjustments were critical to ensuring the continuity of public service delivery. In addition to the mid-year economic disruptions, the budget execution has been further constrained by shortfalls in revenue and emerging expenditure pressures.

Notably, the implementation of Collective Bargaining Agreements and funding requirements under the new university education financing model placed significant demands on the available fiscal space. These challenges led to cash flow pressures and a build-up of pending obligations, which necessitated careful fiscal management and reprioritization. To address these evolving dynamics, the Government prepared Supplementary Budget Estimates to accommodate revenue shortfalls experienced during the current fiscal year and accommodated expenditure pressures.

In this regard, the FY 2024/25, the fiscal balance (on commitment basis and excluding grants) amounted to KSh 1,044.5 billion (5.8 percent of GDP) against a targeted deficit of KSh. 648.8

billion (3.6 percent of GDP). The fiscal balance (on a commitment basis and including grants) in FY 2024/25 stood at 5.8 percent of GDP against a target deficit of 3.3 percent of GDP.

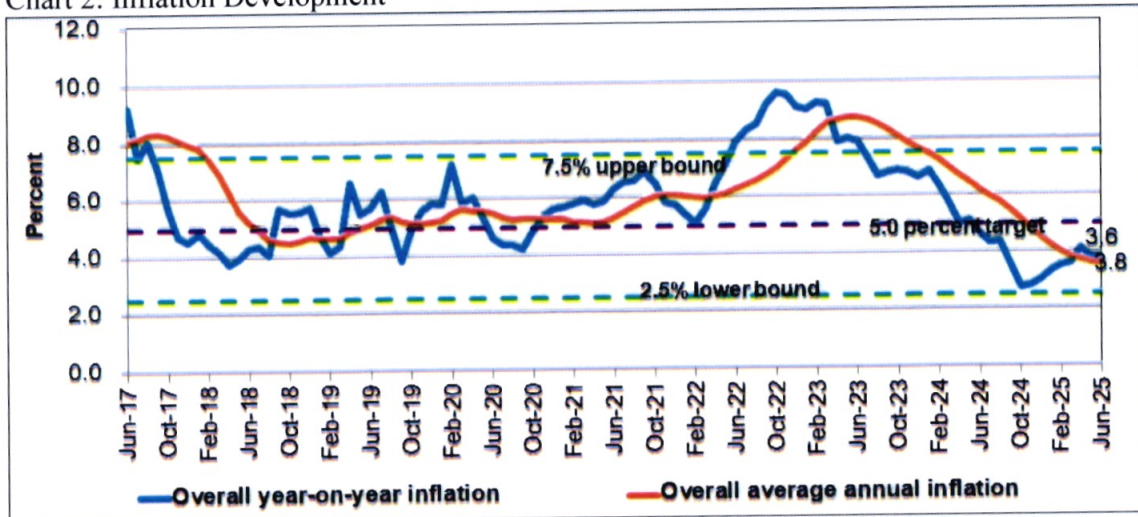
Total revenue collection by the end of June 2025, stood at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0.0 billion below the target.

The total expenditure and net lending for the period under review amounted to KSh 3,963.1 billion, against a target of KSh 3,992.0 billion. The resultant under expenditure of KSh 28.9 billion is attributed to below target absorption of development expenditures by the National Government. Recurrent expenditure for National Government amounted to KSh 2,937.2 billion against a target of KSh 2,841.9 billion leading to a above target expenditure of KSh 95.2 billion. The above target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments.

Inflation

The overall year-on year inflation remained under control and within the Government target range of 5 ± 2.5 percent. Inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024 (Chart 2). Easing inflation has been supported by abundant supply of food arising from favorable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening. Overall average inflation declined from 6.2 percent in June 2024 to 3.6 percent in June 2025 and has remained below the mid-point of the target band of 5.0 percent since June 2024.

Chart 2: Inflation Development

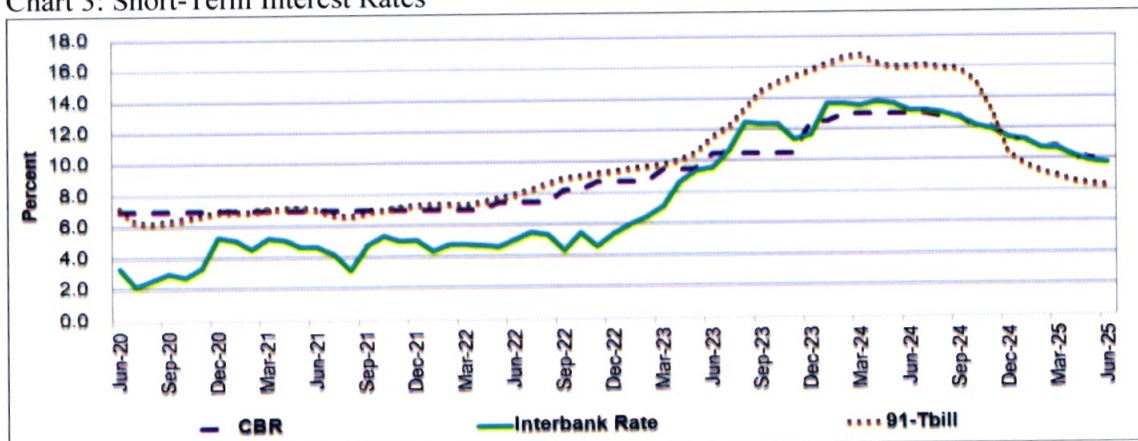


Source of Data: KNBS

Given that inflation was below the mid-point of the target range and the exchange rate had stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13 percent in August 2024 to 11.25 percent in December 2024 and further to 9.75 percent in June 2025. The easing of the monetary policy stance supported lowering of interest rates to boost lending by banks to the private sector thereby supporting economic activities.

Interest rates declined in line with the easing of the monetary policy. The interbank rate declined to 9.7 percent in June 2025 compared to 13.1 percent in June 2024 and remained within the prescribed corridor around the CBR (set at CBR± 150 basis points). The 91-day Treasury Bills rate also declined to 8.2 percent in June 2025 from 16.0 percent in June 2024.

Chart 3: Short-Term Interest Rates

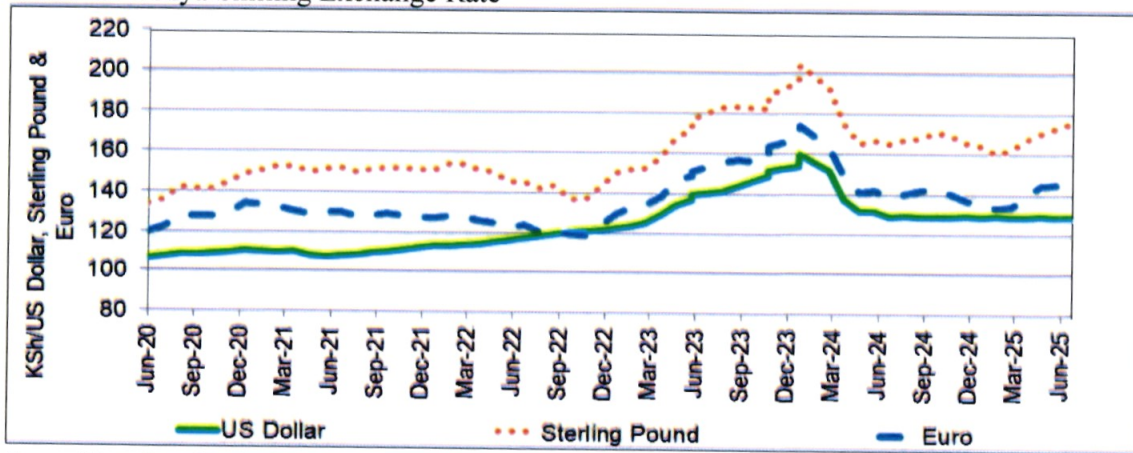


Source of Data: Central Bank of Kenya

Exchange Rates

The Kenya Shilling exhibited mixed performance against major international currencies. It remained relatively stable against the US Dollar, strengthening marginally by approximately 0.08 percent, indicating steady demand for the US Dollar and minimal volatility in the exchange rate. However, the Shilling weakened notably against the Euro and the Sterling Pound, depreciating by about 7.11 percent and 6.69 percent, respectively. In June 2025, it exchanged at an average of KSh 129.3 per US Dollar compared with KSh 129.4 per US Dollar in June 2024. Against the Euro, the Shilling traded at an average of KSh 149.2 by end of June 2025 compared to KSh 139.3 by end of June 2024, while against the Sterling Pound, it exchanged at an average of KSh 175.5 compared to KSh 164.5 over the same period.

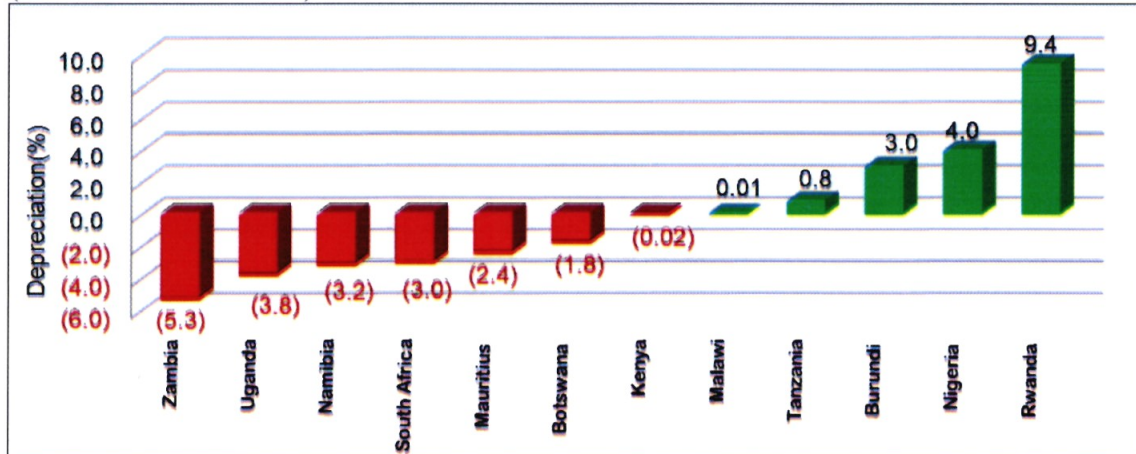
Chart 4a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low amid high demand for the US dollar in the international markets. The Kenya Shilling remained stable supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts. Majority of other Sub-Saharan Africa Currencies depreciated during the same period, particularly: Malawian Kwacha, Tanzanian Shilling, Burundi Franc, Nigeria Naira, and Rwanda Franc (chart 4b).

Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2024 to June 2025)



Source of Data: National Central Banks

Pending Bills

The total outstanding National Government pending bills as at 31st March, 2025 amounted to KSh. 421.6 billion. These comprise recurrent bills of of KSh. 162.0 billion (38.4 percent) and development pending bills of KSh. 259.7 billion (61.6 percent). The pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers. Ministries/State Departments and other Government Agencies pending bills constitutes mainly of historical pending bills.

The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury guidelines for implementation of the financial year 2024/25 and the medium-term budget, Treasury Circular No. 7/2023.

Bottom-Up Economic Transformation Agenda (BETA)

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

These include: -

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

Fiscal policy for FY 2024/25 and the medium-term budget aimed to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation was supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that further strengthened tax revenue mobilization efforts during the period under review and going forward.

Signature.....

Date ...12th August, 2025.....

HON. FCPA JOHN MBADI NGÓNGO, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND ECONOMIC PLANNING

6. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

The National Treasury expenditure for the FY 2024/25 stood at Ksh. 93.50 billion against an approved budget of Ksh .122.18 billion as per supplementary III, translating to an overall absorption rate of 76.53%. This shows a minimal decline of 0.23% from 76.76% recorded in the financial year 2023/24. The National Treasury’ printed estimate, supplementary estimates, expenditure and absorption rates are demonstrated in the summary table below:

Table on Budget and Expenditure for FY 2024/25 as at 30th June 2025

Vote	Printed Estimates FY 2024/25	Supplementary I Estimates FY 2024/25	Supplementary II Estimates FY 2024/25	Supplementary III Estimates FY 2024/25	Expenditure as at 30th June, 2025	Absorption rate (%age)
	Kshs. million					
Recurrent	75,596.0	66,721.4	78,013.0	82,266.0	66,988.5	81.4
Development	59,526.2	52,504.4	39,039	39,910.3	26,508.3	66.4
Total Budget	135,122.1	119,225.8	117,051.8	122,176.4	93,496.8	76.5

The Chart 1 below represents the trend of budget allocation trend through supplementary in 2024/25 FY

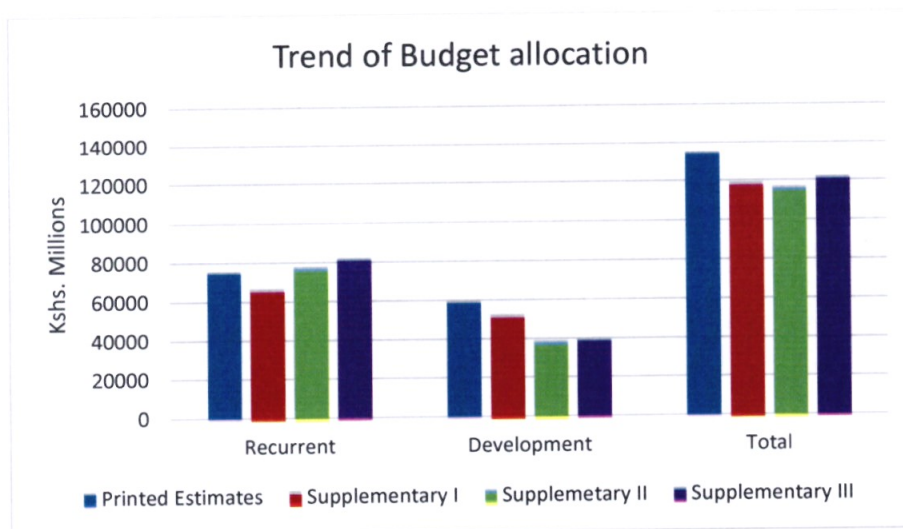
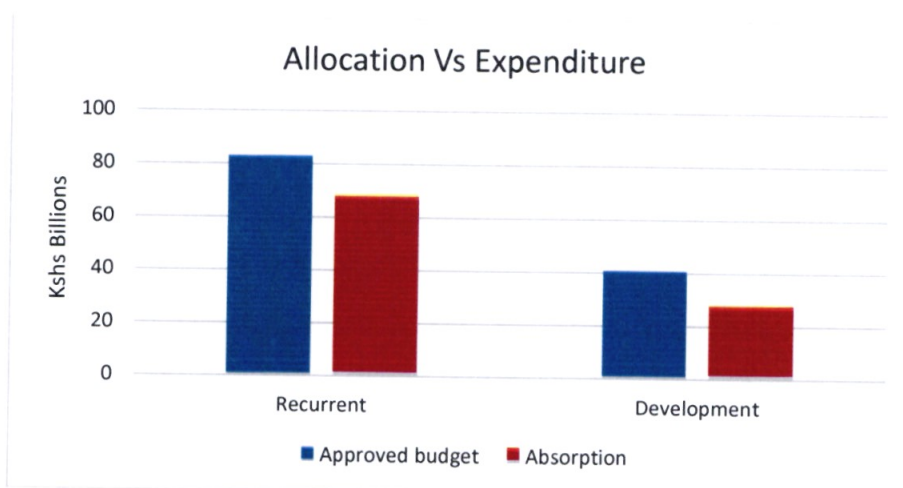


Chart 2 below presents the National Treasury total budget execution for the FY 2024/25.

Chart 2: Allocation against Total Expenditure



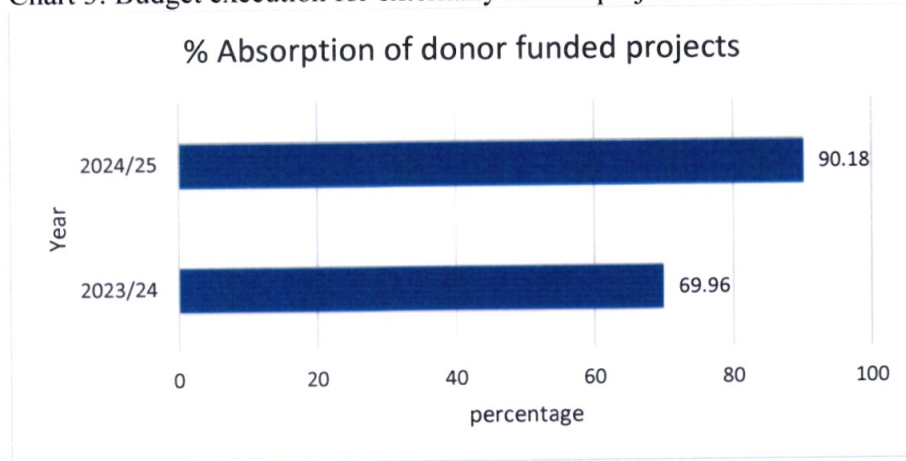
When disaggregated by recurrent and development expenditure, the budget execution indicates that the recurrent budget allocation of Ksh.66.99 billion was absorbed at 81.4% against an approved budget of 82.27 billion. This marked a decline from the absorption rate of 92.70% recorded in FY 2023/24.

On the other hand, development expenditure absorption was Ksh .26.51 billion against an allocation of Ksh 39.91billion recording an absorption rate of 66.52 %. The under absorption in development expenditure is attributed to exchequer challenges.

Budget execution for externally funded resources for FY 2024/2025

The externally funded projects recorded an absorption of Ksh. 29.61 billion against an allocation of Ksh. 32.84 billion translating to an absorption rate of 90.18%. This is a marked improvement from the 69.96% recorded in 2023/24. The improvement is attributed to increased commitments by donors. Absorption of Externally Funded Projects was affected by delays during preliminary processes e.g. in procurement resulting to delayed commencement. Also, delays in receiving of No Objection from Development Partners on implementation of most activities, inadequate GoK counterpart funding, budget cuts and weak performance by implementers as disbursement depends on milestones achieved.

Chart 3: Budget execution for externally funded projects for FY 2024/25



Budget Execution by Programme

The National Treasury implemented the 2024/25 FY budget within four economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; and Market Competition.

Key Achievements under programmes

The National Treasury registered Key Achievements during the Financial Year 2024/2025 as follows:

Electronic Government Procurement (e-GP) System. The National Treasury is set to fully roll out the system across all Procuring Entities within both the National and County Governments. This move is part of ongoing Public Finance Management Reforms aimed at enhancing efficiency, transparency, and value for money in public procurement. All Suppliers are required to Register for E-Government Procurement (e-GP) System by July 1, 2025. The implementation of the e-GP system follows a directive by His Excellency the President during the State of the Nation address delivered on 21st November 2024. In his speech, the President directed that the National Treasury to ensure the complete deployment of the e-GP system by the first quarter of 2025.

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The National Treasury undertook training of users and suppliers in Q3 and Q4 of 2024/25 FY as shown in the summary table below:

ITEM	Targeted figures	Number of Persons Trained	No of Procuring Entities benefitted	% achievement	Remarks	
A	No. of Users Trained					
1	Ministries and State Departments	840	807	53	96%	All MDAs to have been trained by 30th June 2025
2	Counties and County Assemblies	705	700	46	99%	All County /County Assemblies to have been trained by 30th July 2025
3	State Corporations	6,400	3,297	306	52%	Webinnar Trainings (9th - 13th June, 2025)
	Total		4804	405		
B	Trainers of Trainers (ToTS)					
	Number of ToTs	160	60			New TOTs to be recruited in July 2025
C	Suppliers	Targeted Figures	No of Suppliers trained			
	No of Suppliers Trained	xxxxxxx	1,786			Suppliers to register for weekly webinars on the e-GP website
D	Registration of Procuring Entities	Targeted Figures	No of PEs Registered			
	No of PEs Registered	xxxxxxx	358			<i>Registration ongoing</i>
E	NO. OF SUPPLIERS REGISTERED	Targeted Figures	No. of Registered Suppliers			
	TOTAL No of Suppliers Registered	xxxxxxx	999			Suppliers to self-register on e-GP System

General Administration, Planning and Support Services programme, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;

The Public Financial Management programme, Total revenue collection by the end of June 2025, is estimated at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0 billion below the target.

The total expenditure and net lending for the period under review amounted to KSh 3,963.1 billion, against a target of KSh 3,992.0 billion. The resultant under expenditure of KSh 28.9 billion is attributed to below target absorption of development expenditures by the National Government. Recurrent expenditure for National Government amounted to KSh 2,937.2 billion against a target of KSh 2,841.9 billion leading to a above target expenditure of KSh 95.2 billion.

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The below target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments

Economic and Financial Policy Formulation and Management programme, the National Treasury developed the Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR) for County Governments. In addition, the National Treasury implemented measures to attract three (3) NIFC firms. These include (i) facilitating discussions with regulators to introduce large scale global insurance provider into the market, (ii) collaborating with the Department of Immigration to facilitate fast-tracked investor and work permit issuance and (iii) supporting a foreign incoming Venture Capital firm with business registration.

Mobilization of resources, funds amounting to over Kshs 466,575 million were mobilized from external sources while domestic resources amounting to Kshs 294, 937 million from internal sources to support the budget.

Market Competition and Creation of an Enabling Business Environment programme, the National Treasury through the SAFER project transferred Kshs. 5.5 billion to Kenya Development Corporation (KDC) for onward lending to PFIs which will then lend to qualified MSMEs. With respect to access to justice, the National Treasury through the Competition Tribunal determined 100% of Appeals on Competition.

Implementation of Digital Superhighway, the National Treasury established Contact Centre Services to manage payment related queries from e-Citizen clients.

Emerging Issues

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

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

- v. Debt sustainability concerns. Ensuring that debt levels remain sustainable while funding essential services is a critical challenge that continues to face the National Treasury.

Challenges

Some of the challenges the National Treasury faced while implementing the 2024/25 budget include:-

- i. Resource Constraint persisted and affected implementation of budgets;
- ii. The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes. In the FY 2024/25, the National Treasury faced a total revenue collection shortfall of KSh 424.6 billion on account of shortfalls in both ordinary revenue;
- iii. Shortage of Key Technical Staff continues to affect operational efficiency in the core mandate:
 - (a) Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 55% This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives; and
 - (b) Operating environment is manifested, among others, by shortage of office space especially for key technical staff and, Inadequate resourcing of the Monitoring and Evaluation function.
- iv. Civil unrest occasioned by regular protests disrupted implementation of various activities thus disrupting service delivery. Business investment were destroyed and life lost thus impacting heavily on economic development of the country.

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

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

Recommendations

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

- i. Sustain efforts for effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of the Bottom-Up Economic Transformation Agenda and emerging Government priorities. Key in this respect is the need for adequate resourcing of Kenya Revenue Authority to deploy innovative tax administration for efficient and optimal collection of taxes.

In addition, the National Treasury will leverage on the digitization of all critical Government processes with a view to bringing convenience to citizens and raising revenue efficiently for Government services that are paid for electronically;

- ii. Reforms in Public Financial Management and taxation should be sustained to enable the National Treasury expand the fiscal space and enhance absorption capacity. This includes reforming institutions and restructuring of parastatals to wean some from reliance on exchequer;
- iii. Strengthening Tax Administration, The National Treasury will enhance KRA's capacity to leverage on technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position;
- iv. Continued implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- v. Strengthening Monitoring and Evaluation Framework and capacity through automation of the Planning and M&E processes;
- vi. Continued leveraging on ICT to ensure timely delivery of targets and foster efficiency; and
- vii. Implementing the recommendations arising from the 2023/24 project rationalization review to achieve optimal project portfolio and increase fiscal space.

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

Signature 

Date 

DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY/ NATIONAL TREASURY

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR THE FY 2024/2025**

Introduction

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

The key development objectives of the National Treasury's 2023-2027 Strategic Plan are to:-

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

Progress on Attainment of Strategic Development Objectives

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

Below is the progress implementation of the stated objectives: -

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Table 1: Programme Performance

a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
THE NATIONAL TREASURY							
Programme 1: General Administration, Planning and Support Services							
Programme Outcome: Efficient and effective service delivery							
SP 1. Administration Services	Administration	Records management automated	% of implementation of activities	100	100	0	Target achieved. Contractor on boarded and digitization process ongoing
		Vehicles Leased	No. of vehicles leased	3,548	3,548	0	Target fully met
		National Treasury Media Centre Operationalized	% Operationalization of the Media Centre	60	60	0	Target fully met
	State Corporations Appeals Tribunal (SCAT)	Appeal cases determined	No. of appeal cases determined	1	13	12	Target surpassed
		New Tribunal Court registries /circuit hearing established in counties	No. of court registries	2	1	-1	Target not achieved. Section 22(12) of State Corporations Act Cap 446 provides that the Tribunal can only hold sittings in Nairobi. However, the tribunal held virtual hearings from all regions.

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 2. Human Resources Management Services	Administration	Reorganized Structure of the TNT	Reorganized Structure of the TNT	1	1	0	Target achieved. Currently attending to appeals by respective departments on the approved structure
		Career Guidelines for TNT	Approved Career Guidelines	1	0	-1	Target not achieved. The activity is planned for 2025/26 FY
SP 3. Financial Services	Public Service Superannuation Scheme (PSSS)	Onboarding of Public Servants onto PSSS	% level of eligible Public Servants on-boarded onto PSSS	100	100	0	Eligible public servants are on boarded in real-time, while current employees are supported through ongoing contributions to the PSSS. The numbers per quarter grew by 534 in Q 1; 521 in Q2 and 46,442 in Q3, and 1023 in Q4 . Current membership is 489,589.
	Pensions Department	Processed pension claims	% Pension claims received & processed	100	85	-15	Claims paid per quarter: 233 in Q1;196 in Q2; 232 in Q3; 90 in Q4 and 112 claims received in June 2025 are pending : Total Claims received in the Year were 863
			No. of days taken to process and pay pensions claims	60	60	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Acquire and operationalize a new Pensions Management Information System (PMIS)	% level of operationalization of PMIS system	100	75	-25	Training on the system is planned to be undertaken in FY 2025/26
	Kenya Revenue Authority	Ordinary revenue collected	Revenue collected (Kshs Trillion)	3.34	2.92	(0.42)	Target not fully met.
Programme 2: Public Financial Management							
Programme Outcome: Transparent and accountable management of public resources							
SP 5. Resource Mobilization	Resource Mobilization Department	Donor Funds Disbursed	Funds disbursed to MDAs as a % of the external resources mobilized	100	86	-14	Target not achieved due to low absorption by MDAs
			External resources mobilized as a % of fiscal gap	55	53	-2	Target not fully achieved due to non-disbursement of the 7th Development Policy Operation (DPO7) by the World Bank.
		Annual Borrowing Plan	No of Annual Borrowing Plans	1	1	0	Target achieved
	Debt Policy Strategy and Risk Management	Bonds Issued	No. of Sovereign/ Green bonds issued	1	2	1	Target achieved, the government issued 1.5 billion dollar, whose proceeds were used to buy back part of USD 2 billion Eurobond Maturing in June 2024

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
			No. of benchmark bonds issued	12	6		First Quarter Target achieved, this was due to 3 new benchmark bonds were issued and 3 early issued were re-opened to new investors.
	PPP Directorate	Government Projects under PPP framework	No. of PPP projects approved	12	11	-1	Target not fully met
	Global Fund	Anti-Retroviral Therapy (ART) Supplies	No. of patients receiving ART (Millions)	1.37	1.37	0	Target achieved
		Artemisinin-Based Combination Therapy (ACT) Supplies	No. of People receiving ACT (Millions)	5.9	5.7	-0.2	The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are expected to be issued to facilities.
		Tuberculosis (TB) Supplies	% of TB patients treated and tested for HIV	100	100	0	Target achieved
SP 6. Budget Formulation Coordination and Management	Macro and fiscal Affairs Department	National Budget	Budget Review and Outlook Paper	1	1	0	Target achieved
			Budget Policy Statement	1	1	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
			Finance Bill	1	1	0	Target achieved. To boost revenues, three bills were prepared: i) Tax Laws (Amendment) Bill, 2024; ii) Tax Procedures (Amendment) Bill, 2024; and iii) Business Laws (Amendment) Bill, 2024 which were enacted in December 2024.
	Budget Department	National Budget	Annual Appropriation Bill	1	1	0	Target achieved
			Supplementary Appropriation Bills	2	2	0	Target achieved
			Guidelines for FY 2025/2026 MTEF Budget issued by 30th August 2024.	1	1	0	Treasury Circular No. 11/2024 issued on 23 rd August, 2024
			FY 2025/26 Budget Estimates finalized and submitted to Parliament by 30th April 2025.	1	1	0	Target achieved
SP 7. Audit Services	Internal Audit Department	Value for Money Audits	No. of Value for Money (VFM) Audits reports	30	45	15	Target surpassed due to MDAs requests
		Government Entities capacity built on IRMF	No. of Government Entities capacity built on IRMF	5	13	8	Target surpassed due to more requests from MDAs to be trained.

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
		Audit Committees Capacity Built	No. of Audit Committees Capacity Built.	5	7	2	Target overachieved due to more requests from MDAs
SP 8. Accounting Services	Accounting Services Department	Consolidated Financial Statements	No. of Consolidated Financial Statements prepared	4	4	0	Target achieved
		Officers trained on International Public Sector Accounting Standards (IPSAS)	No. of officers trained on International Public Sector Accounting Standards (IPSAS)	200	221	21	Target achieved.
		Transition and re-engineer the system to Accrual Accounting	Percentage of transition	100			To be reported in subsequent FY
		Treasury Single Account designed and documented	Percentage of achievement	50	50	0	Target achieved
		Capacity Built Accounting Personnel on implementation of transition to accrual accounting and TSA	No. of Accounting Personnel Capacity Built on implementation of transition to accrual and TSA	1000	850	150	Training will be undertaken once TSA is rolled out

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
	National Sub-County Treasuries	Operational Vote book Mangement System for National sub-County Treasurues roled out	No. of sub-County Treasuries with Operational Vote book Mangement System	315	315	0	Target achieved
		Sensitized National sub-County Accountants on Migration from Cash accounting to accrual accounting	No. of NSC Accountants sensitized	1000	663	-337	Target not achieved due to budget constraints
	IFMIS Department	PFM users trained on IFMIS Modules	No. of PFM users trained on IFMIS Modules	2,000	2,100	100	Target surpassed due to government digitizing most of its services
		IFMIS upgrade to the latest version	No of IFMIS versions running on version 12.2.10	1	1	0	Target achieved
		Exchequer rollout to the counties	Number of counties requisitioning online	10	10	0	Target achieved
		Treasury single account designed and documented	Percentage of achievement	100	100	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
		Exchequer release process to MDACs automated	Percentage of automation	100	75	-25	Requirement gathering and design completed
		IFMIS integrated with Debt Management Systems	Percentage of integration	100	25	-75	Requirements and integration design completed
	Kenya Accountants and Secretaries National Examinations Board (KASNEB)	Offering financial support to trainees pursuing financial management courses	No. of Trainees offered financial Support Services	106,000,000	163,232,888	57,232,888	Significant increase in financial support received by trainees relative to the annual target due to high demand for financial support and streamlined application processes
		Engaging training institutions offering kasneb courses	No of Trainees trained in KASNEB Foundation Financial management & Literacy Programs	500	10	-490	Only 10 trainees inducted in Phase I. This was due to delays in finalizing the financial literacy curriculum and pilotim=ng of the programme.
		Institutions and schools sensitized on financial management	No of Institutions / schools sensitized on financial support services	50	68	18	Target achieved. An increase in the number of institutions sensitized is due to implementation of a marketing plan targeting training institutions

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
		Institutions and schools sensitized on Financial Support Services	No. of Trainees offered financial Support Services	5000	4338	-662	4,338 trainees received financial support services occasioned by the continuous award model and aggressive promotion of the KASNEB Foundation financial Aid Program to training institutions and students
SP 9. Supply Chain Management Services (SCMs)	Public Procurement Department	AGPO enterprises registered	No. of AGPO enterprises registered	21,000	21,335	335	Target surpassed due to enhanced sensitization
		AGPO beneficiaries trained	No. of AGPO beneficiaries trained	2,000	2,235	235	Target surpassed due to partnerships with other Government Institutions to train more beneficiaries.
		PFM staff trained on Public Procurement and Asset Disposal System	Percentage of achievement	100	60.5	-39.5	4,804 of 7,945 targeted officers trained on EGP system
		e-Government Procurement System Government deployed in Government institutions	No. of government procuring Entities on e-Government Procurement System	12	358	346	Process hastened after completion of pilot phase with 12 entities

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
		Reviewed Public Procurement Legal Frameworks	No. of Reviewed Public Procurement Legal Frameworks	1	1	0	Public Procurement and Asset Disposal Act reviewed, approved by Cabinet & awaiting Parliamentary approval
		Public Procurement and Asset Disposal Manuals /guidelines developed	No. of Public Sector entities monitored for compliance with IPSAS	1	1	0	Sustainable public procurement frameworks/guidelines developed, undergone public participation and awaiting Cabinet approval
	Public Procurement Administrative Review Board (PPARB)	Procurement Services	% of Public Procurement dispute cases resolved within 21 days	150	160	10	Target surpassed. More cases filed at the Review Board were heard and determined within 21 days
	Public Procurement Regulatory Authority (PPRA)	Procurement Services	No of MCDAs monitored on compliance with Public Procurement and Asset Disposal Act, 2015	2650	5540	2890	Annual target exceedingly met
SP 10. Public Financial Management Reforms	Public Finance Management Reforms (PFMR) Secretariat	Skills and capacity building in PFM	No. of officers trained on Public Finance Management	8,000	8,900	900	Target overachieved due to high reforms uptake by the MDAs
			Cumulative % of PFM reforms implemented in PFMR Strategy 2023-2028	40	35	-5	Target underachieved due to budget cuts

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
SP 11. Government Investment and Assets	Government Investment and Public Enterprises	Govt. Investment Management Services	% of State Corporations Budgets reviewed	100	100	0	Target achieved, relevant Budgets for SC reviewed
			No. of national government investment reports prepared	1	1	0	Target Achieved. Report prepared and sent to Parliament.
	National Assets and Liabilities Management Unit	MDAs sensitized on Government Assets and Liabilities management policy and guidelines	No. of MDAs sensitized	100	82	-18	Target not fully achieved due to budget constraints
			Asset registers from MDAs analyzed	100	100	0	Target achieved
			Asset and Inventory Management Modules to rolled out to 40 MDAs and 24 Counties	2.5	2.38	-0.12	Target not fully met due to budgetary constraints
			Quarterly feedback provided to MDAs	2.5	2.5	0	Target fully achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
	Privatisation Commission	Government Privatization Services	No. public entities privatized	4.00	-	-4	Implementation of Kenya Wine Agencies Limited (KWAL) – EOI was advertised on 12th August 2024 and RFP sent to the shortlisted bidders on 5th September 2024 with a closure date of 26th September 2024. The process was scuttled by the court ruling on Privatisation Act, 2023 on 24th September 2024.
			No. of specific privatisation proposals developed	2.00	2.00	-	Two specific privatization proposals were prepared. These proposals were for the Kenya Meat Commission (KMC) and the Ark Limited and both were submitted to the National Treasury.
	Kenya Trade Network Agency	Cargo dwelling time at ports of entry reduced	No. of days taken to clear goods at the ports of entry	3	3	0	Target Achieved
Programme 3: Economic and Financial Policy Formulation and Management							
Programme Outcome: Stable macroeconomic environment for economic growth							

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
SP 12. Fiscal Policy Formulation, Development and Management	Macro and Fiscal Affairs	Stable Inflation	Inflation rate (%)	5 ± 2.5	3.8	0	Target met due to tight monetary policy measures. The main drivers of inflation were increases in cost of food and non-alcoholic beverages, transport, housing water electricity, gas & other fuels
	Financial Reporting Centre	Complete Terrorism Financing risk assessment	TF Risk assessment report	1	1	0	TF Risk assessment completed in Q2
		Update national Anti-Money Laundering and Countering Financing of Terrorism strategies	Updated AML/CFT strategies	1	2	1	Updated AML strategy adopted in Q1 and updated CFT strategy adopted in Q3
		Onsite and offsite inspections of DNFBPs and Non-Banking Financial Institutions	Number of onsite & Off site inspections on DNFBPs	98	98	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Outreach sessions of Customer Due Dilligence, Enhanced Due Dilligence, Beneficial Ownership and Politically Exposed Persons on DNFBPs	Number of sessions for CDD, EDD, BO and PEPs on DNFBPs	40	40	0	Target achieved. The training covered preventive measures including CDD/EDD/BO/PEPS and STR Reporting
		Registration of Reporting entities	Number of registered reporting entities	600	600	0	Target achieved
	Inter-Governmental Fiscal Relations	County Allocation of Revenue Bill (CARB) Division of Revenue Bill (DORB) & County Governments Additional Allocations Bill prepared	County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB), County Governments Additional Allocations Bill prepared (CGAAB), and Cash Disbursement Schedule	4	4	0	Target timely met
	Inter-Governmental Fiscal Relations	Inter-Governmental Fiscal Relations	% level of Inter-Governmental Fiscal Relations Repository	50	100	50	The portal link is https://igfr.treasury.go.ke

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
		Repository System	System development				
		Draft review of PFM (PIM) Regulations, 2022 produced	Percentage of review	100	10	-90	Target not fully achieved due to budget constraints
		Public Investment Management/ Public Private Partnership (PIM/PPP) Framework developed	% level of development of PIM/PPP Framework	100	80	-20	Work in Progress - currently undertaking consultations with senior management
	Nairobi International Financial Centre Authority	Investments and Regional Financial Institutions certified with NIFC	No. of Certified NIFC firms	3	0	-3	Target not achieved
	Financial and Sectoral Affairs	Legislative framework in financial & Sectoral developed.	No. of legal frameworks developed (three Capital Markets Regulations, and Unclaimed Financial Assets Regulations)	3	3	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Kenya Credit Guarantee Company (KCGC) incorporated and operationalized	% level of guarantee company operationalized	100	90	-10	Target partially achieved
		Green Financing Facility (GFF) loans disbursed	No of farmers benefiting from the GFF loans	3,000	354	-2,646	Target partially achieved whereby, GFF operations manual along with the green taxonomy developed.
SP 13. Debt Management	Debt Policy, Strategy and Risk Management Department	Medium Term Debt Strategy Developed	No. of Medium-Term debt strategy developed	1	1	0	Target achieved
		Published Annual Debt Report	No. of Annual Debt Reports Published	1	1	0	Target achieved
		Annual Public Debt Management Performance report	No. of developed Annual Public Debt Management performance report	1	1	0	Target achieved
	Debt Recording and Settlement Department	Mature serviceable public debt serviced	% of mature serviceable public debt serviced	100	100	0	Target achieved
		Published External Public Debt Register on the TNT website	No. of Published External Public Debt Stock & Register on the TNT website	1	1	0	Target achieved

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cumulative 12 months)	Variance	Remarks
SP 14. Microfinance Sector Support and Development	Financial and Sectoral Affairs	Operationalize the Credit Guarantee Scheme (CGS)	Capital injected into the Credit Guarantee Scheme in KSh. (Billions)	1	0	-1	Target not achieved
Programme 4: Market Competition and Creation of Enabling Business Environment							
Programme Outcome: Sustained high productivity and competitive markets							
SP 15. Elimination of Restrictive Trade Practices	Competition Authority of Kenya	Consumer Protection and Regulatory Services	% of consumer complaints investigated and concluded	70	48	22	485 cases handled out of which 332 were finalized.
			% of Merger and acquisitions applications determined	100	96	4	26 out of 27 received mergers finalized
			Cases of Deterrence of Abuse of Buyer Power concluded as a % of total investigations	65	23	42	43 cases received out of which 15 were finalized
			% of cases on restrictive trade practices investigated and finalized	100	29	71	52 cases handled out of which 15 were finalized
SP 17. Access to Justice	State Corporations Appeals Tribunal (SCAT)	Improve access to courts and reduction of average distance to courts	No. of registries operationalized	2	1	-1	Operationalized the Nairobi registry and started receiving cases

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a	Delivery Unit	Key output	Key Performance Indicators	Annual Target 2024/25	Actual Q4 (cummulative 12 months)	Variance	Remarks
		Appeal cases received & determined	Number of appeal cases determined	10	16	6	The Tribunal had targeted to receive 10 cases but it received 16 cases and 5 cases were determined and the rest are scheduled to be determined
	Competition Tribunal	Cases on restrictive trade practices investigated, finalised and determined	% of cases on restrictive trade practices investigated, finalised and determined	100	93	7	25 out 27 cases finalised

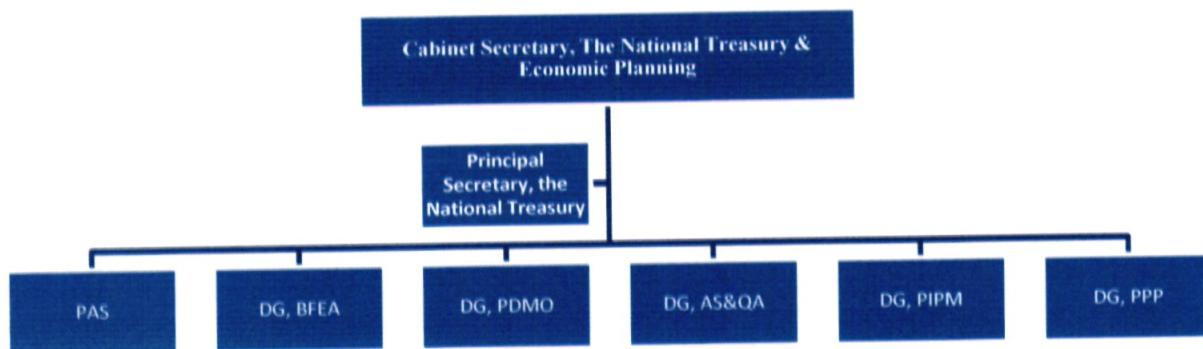
8. STATEMENT OF GOVERNANCE

i. Brief of Key Leadership Structure

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

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

The National Treasury Leadership Structure



PAS : Principal Administrative Secretary, Directorate of Administrative Services;
 DG, BFEA: Director General, Directorate of Budget, Fiscal and Economic Affairs;
 DG, PDMO : Director General, Directorate of Public Debt Management Office;
 DG, AS&QA: Director General, Directorate of Accounting Services & Quality Assurance;
 DG, PIPM: Director General, Directorate of Public Investment & Portfolio Management;
 DG, PPP: Director General, Directorate of Public, Private Partnership.

Note: The Directorate of Public Investment & Portfolio Management and Directorate of Public, Private Partnership have since been transferred to the State Department for Public Investment and Assets Management.

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 2012, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which four 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 embarked on the development of its Risk Management Policy Framework. Risk Champions for all Directorates were appointed and trained and Risk registers have been developed.

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 2025/26 and the medium term by holding both physical meetings and virtual hearings. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at aligning the debt anchor to international best practices.

vii. Compliance with laws and regulations

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

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

9. MANAGEMENT DISCUSSION AND ANALYSIS

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

Operational Performance

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

Performance Contract Management

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.

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

In the FY 2022/2023 the National Treasury and Economic Planning was ranked position 9 with a composite score of 3.3158 representing ‘good performance’. Compared to the performance of the previous years, there was a slight decline since the Ministry had a composite score of 3.1173 in 2021/22 FY and 3.2124 in 2020/2021 FY.

In the FY 2023/2024 the National Treasury and Economic Planning had a composite score of 3.2296 representing ‘good performance’. This is an improvement from the FY 2022/23 composite score of 3.3158.

Note: The Performance Contract for FY 2024/25 has not been evaluated.

A summary of performance contract indicators for two years and ranking for the last five years are given in the table below.

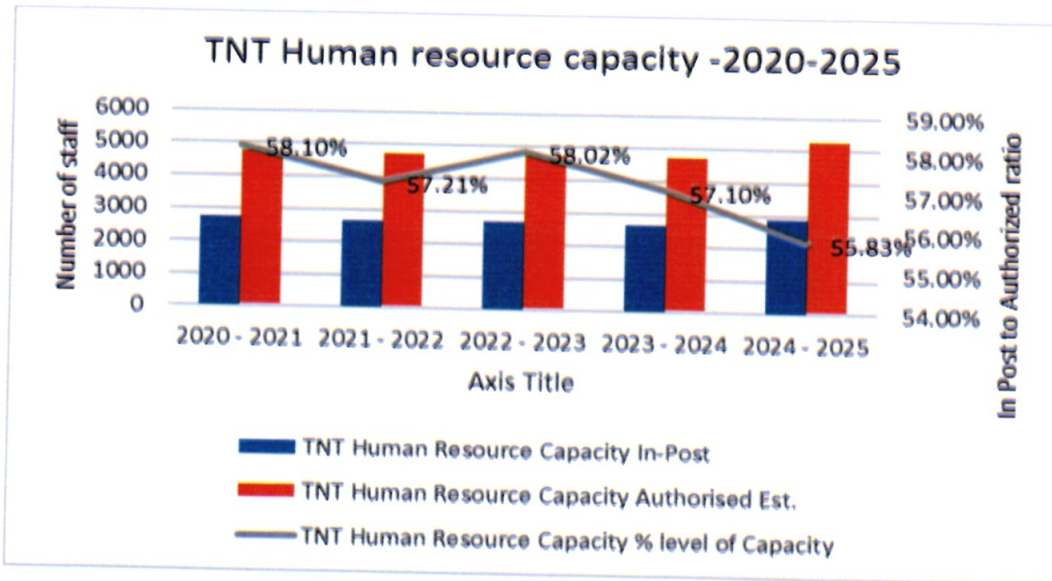
Table 2: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over five Financial Years

2019/2020 FY		2020/2021 FY		2021/2022 FY		2022/2023 FY		2023/24 FY	
Overall Score:	3.0209	Overall Score:	3.2124	Overall Score:	3.1173	Overall Score:	3.3158	Overall Score:	3.2296
Overall Rank:	Position 1	Overall Rank:	Position 5	Overall Rank:	Position- 5	Overall Rank:	Position – 9	Overall Rank:	Position – Not published
Overall Grade:	70-100%	Overall Grade:	70-100%	Overall Grade:	70-100%	Overall Grade:	70-100%	Overall Grade:	70-100%
Performance category:	Good	Performance category:	Good	Performance category:	Good	Performance category:	Good	Performance category:	Good
Core Mandate Score:	1.8089	Core Mandate Score:	Not measured	Core Mandate Score:	Not measured	Core Mandate Score:	Not measured	Core Mandate Score:	Not measured

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 55.80 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 57.1% in 2023/24 FY and 58% FY in 2022/23. The decline in staff capacity is attributed to slow succession management in relation to increasing staff requirement as indicated by authorized establishment. Chart below illustrates the current staff capacity against authorised establishment.

Human resource capacity for the period FY 2020/21 to 2024/25



In terms of cadre, the National Treasury ratio of technical to support staff currently stands at 70.83 and 29.17 per cent of in-post staff.

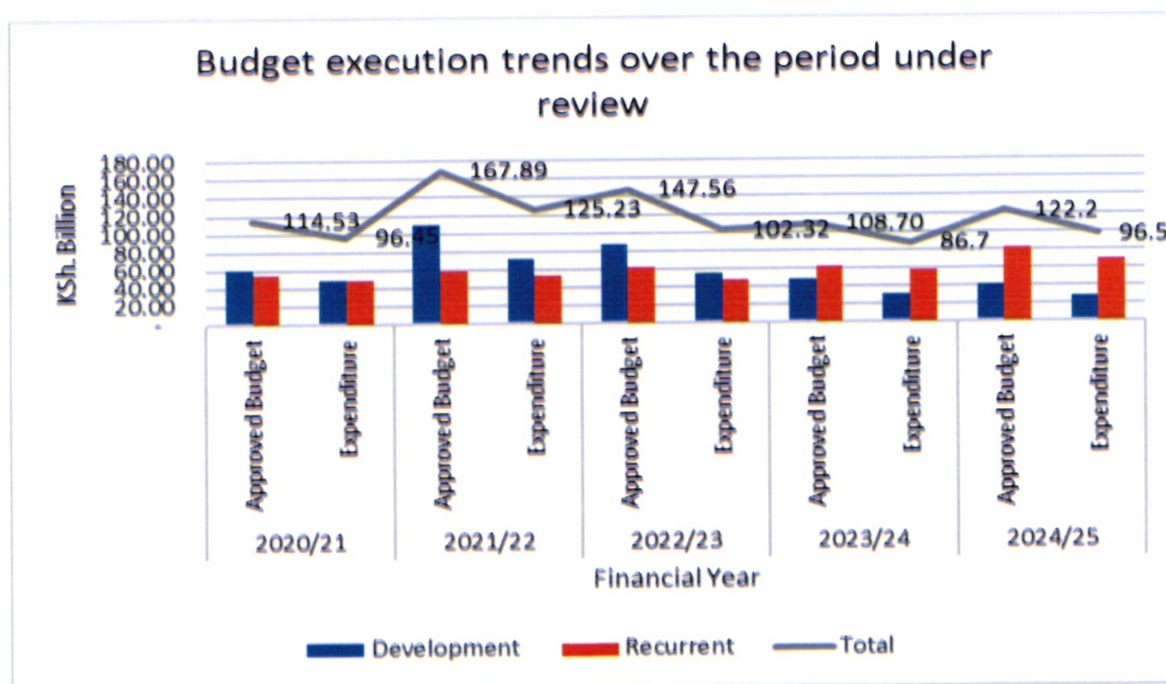
The National Treasury trained 933 staff of different carders on relevant skills sets during the period under review.

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 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. Chart below illustrates the National Treasury financial performance in relation to expenditure for the period 2020/21- 2024/25FY.

The allocations to the National Treasury recorded increasing trend with highest allocations recorded in the FY 2021/22. The increase in allocation is attributed to transferring of marine and transport functions to the National Treasury. These functions were transferred back to the Ministry of Transport and Infrastructure in the FY 2023/24.

The National Treasury total budget against expenditure for 2020/21- 2024/25 (Ksh. Billions)



The table below illustrates budget allocations vs expenditure per programme.

Table 5: Allocation Per Programme Vote 1071 FY 2024/25

Programme	Printed Estimates FY 2024/25	Supplementary Estimates FY 2024/25	I Supplementary Estimates FY 2024/25	II Supplementary Estimates FY 2024/25	Supplement III Estimatess FY 2024/25	Expenditure as at 30th June, 2025
(Kshs. Million)						
1. General Administration, Planning and Support Services	76,480.3	58,740.1	78,019.2		84,150.9	36,919.9
Administration Services	42,499.5	25,508.2	36,349.6		42,080.2	35,025.2

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Human Resource Management Services	121.4	114.8	114.8	114.8	112.5
Financial Services	33,204.6	33,070.9	41,008.5	40,909.5	736.5
ICT Services	654.8	46.3	546.3	1,046.3	1,045.7
2. Public Financial Management	46,862.9	49,502.2	31,699.2	26,448.2	24,393.2
Resource Mobilization	24,696.4	24,716.2	13,088.9	14,403.5	14,311.5
Budget formulation, Coordination and Management	12,522.2	17,143.6	9,231.9	2,024.9	2,020.0
Audit Services	901.4	861.2	861.2	904.2	859.7
Accounting Services	3,058.4	2,342.0	3,150.0	3,425.0	3,298.8
Supply Chain Management	900.6	1,129.2	2,089.2	2,389.2	2,274.9
Public Financial Management	827.0	526.4	594.4	564.4	422.0
Government Investment and Assets	3,957.0	2,783.6	2,683.6	2,737.0	1,206.2
3. Economic and Financial Policy Formulation and Management	11,270.5	10,475.0	6,715.3	10,959.3	9,886.6
Policy Formulation and Management	9,003.3	8,217.7	5,536.1	9,930.1	8,927.3
Debt Management	155.4	148.4	148.4	148.4	145.4
Micro Finance Sector Support and Development	2,111.8	2,108.9	1,030.9	880.9	813.9
4. Market Competition	508.5	508.5	618.0	618.0	618.0
Elimination of Restrictive Trade	508.5	508.5	618.0	618.0	618.0
Grand Total	135,122.1	119,225.8	117,051.8	122,176.4	71,817.6

Major Risks Facing the National Treasury

The National Treasury faces several key risks, including high debt levels, climate change impacts, and challenges in revenue mobilization. These factors can strain the country's fiscal stability and limit its ability to invest in priority programs.

1. High Public Debt:

- Kenya's public debt, both domestic and external, is a significant concern, with a high proportion of it held by multilateral and bilateral lenders. The National Treasury aims to manage debt levels by gradually reducing the stock of Treasury bills and lengthening the maturity of public debt

instruments. Challenges in revenue collection can exacerbate debt sustainability issues, potentially leading to cash flow problems and the accumulation of unpaid bills.

2. Climate Change Impacts:

- Climate change poses a major risk to key sectors like agriculture and tourism, impacting economic resilience and potentially affecting government revenue. The National Treasury is prioritizing climate resilience as a crucial aspect of development and economic growth. Climate-related disasters also lead to increased government spending on disaster relief and recovery efforts, further straining the budget.

3. Revenue Mobilization Challenges:

- Difficulties in mobilizing sufficient revenue to meet budgetary needs are a recurring issue. Economic downturns, high inflation, and exchange rate depreciation can negatively impact revenue collection. The National Treasury is working to enhance fiscal consolidation efforts and rebuild fiscal buffers to mitigate revenue shortfalls.

4. Fiscal Risks from State Corporations:

- Many state corporations face liquidity challenges and have accumulated significant arrears, posing a fiscal risk to the government. A significant number of state corporations are loss-making, further straining public finances. The National Treasury is working to improve the management and oversight of state corporations to mitigate these risks.

Addressing these risks requires a multi-pronged approach, including sound macroeconomic policies, effective debt management strategies, investment in climate resilience, improved revenue collection, and enhanced fiscal discipline across all government entities.

Material Arrears in Statutory and other Financial Obligations

As at 30th June, 2025, the organization had minimal material arrears in statutory and other financial obligations. The status is summarized as follows:

a) Statutory Deductions

All mandatory statutory deductions, including PAYE, NHIF, NSSF, and pension contributions, were remitted in full and on time to the respective institutions during the financial year. There were no outstanding arrears reported in relation to employee benefit remittances.

b) Pending Bills

The organization recorded pending bills], mainly related to: Unsettled invoices for supplies and services already rendered, delays in processing payments due to procurement documentation gaps or budget absorption constraints and a small portion attributed to late exchequer releases in the last quarter.

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These pending bills are fully recognized in the financial statements and have been prioritized for settlement in the first quarter of the FY 2025/26.

The National Treasury Key Projects/ Investments implemented or ongoing

The Table below indicates a summary of 18 key projects for the National Treasury indicating project cost, cumulative expenditure, Absorption rate and project status.

Table 3: Key projects implemented by the National Treasury in 2024/25 FY

S/No.	Project	Project Budget (Kshs.)	Expenditure (Kshs.)	Absorption Rate	Remarks
1.	National Treasury Special Global Fund - Malaria Grant - KEN-M (NFM3) - BETA	547,823,464.00	312,819,406.00	57.10%	Project Completed
2.	National Treasury Special Global Fund - HIV-AIDS Grant - KEN-H (NFM3) - BETA	6,143,272,199.00	5,478,371,242.00	89.18%	Project Completed
3.	National Treasury Special Global Fund - TB Grant - KEN-T (NFM3) - BETA	579,301,743.00	359,292,987	62.02%	Project Completed in March 2025
4.	National Treasury Special Global Fund - Malaria Grant - KEN-M (NFM4) - BETA	244,335,971.00	215,917,579.00	88.37%	Project ongoing
5.	National Treasury Special Global Fund - HIV-AIDS Grant - KEN-H (NFM4) - BETA	4,186,572,056.00	4,186,572,056.00	100.00%	Project ongoing
6.	National Treasury Special Global Fund - TB Grant - KEN-T (NFM4) - BETA	593,269,152.00	197,347,205.00	33.26%	Project ongoing
7.	National Treasury Infrastructure Finance and Public Private Partnerships Project (IFPPP), Credit/Grant No.: 51570-KE - BETA	43,000,000.00	43,000,000.00	100.00%	Project Completed
8.	National Treasury Infrastructure Finance Public Private Partnerships-Additional Financing (IFPPP2-AF), Credit/Grant No.: 61201-KE - BETA	689,086,883.00	689,086,883.00	100.00%	Project Completed
9.	National Treasury support to Public Financial Management (PFMR)	150,000,000.00	26,386,200.00	17.59%	Project ongoing
10.	National Treasury Regional Integration Implementation Program	116,553,557)	115,553,557.00	99.14%	Project ongoing

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11.	National Treasury Public Debt Management Support Project	59,000,000.00	34,811,027.00	59.00%	Project ongoing
12.	National Treasury Capacity Strengthening Project	50,000,000.00	6,415,211.00	12.83%	Project ongoing
13.	National Treasury Green Climate Fund Readiness Project	22,600,000.00	16,002,597	70.81%	Project ongoing
14.	National Treasury Kenya Affordable Housing Project - BETA	8,150,000,000.00	8,150,000,000.00	100.00%	Project ongoing
15.	National Treasury Supporting Access to Finance & Enterprise Recovery (SAFER) - BETA	5,900,000,000.00	5,006,270,769.00	84.85%	Project ongoing
16.	Kenya Financing Locally Led Climate Action Programme (FLLCoA) - BETA	2,000,000,000	1,525,157,868.00	76.26%	Project ongoing
17.	National Treasury Rural Kenya Financial Inclusion Facility (RK-FINFA) - BETA	650,000,000.00	604,241,997.00	92.96%	Project ongoing
18.	Operationalization of Kenya Mortgage Refinancing Company (KMRC) - BETA	2,717,000,000.00	2,717,000,000.00	100.00%	Project Completed

Future Developments and other information

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

1. Stable and sustainable macroeconomic environment

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

- i. Develop and implement macroeconomic and fiscal policies that support stable macroeconomic environment and stimulate economic recovery to 5.6 percent growth in FY 2027/28; boost the ratio of gross national savings to GDP to 13.3 percent in the FY 2027/28; increase the ratio of national investments to 18.6 percent GDP in the FY 2027/28;
- ii. Oversee implementation of monetary policy that targets to maintain inflation rate at 5 percent +/-2.5 percent; low and stable lending interest rates; stable and competitive exchange rates; and strong official foreign exchange reserves;
- iii. Establish the Kenya Credit Guarantee Company to administer CGS – This will entail establishing a functional Credit Guarantee Company to administer Credit Guarantee Scheme (CGS);
- iv. Agricultural and Rural Financial Inclusion (RK- FINFA) – this will enhance access, efficiency and stability of agricultural and rural finance by smallholder farmers and agribusiness MSME;

- v. Implement the Green Financial Markets programme to enhance access to green finance and strengthen the enabling environment to attract green finance and investments needed to transition to a low-carbon, climate resilient and green economy;
- vi. The National Treasury has embarked to redesign the taxation instruments to make them more supportive to economic activity without distorting the market and eroding investment incentives. This will boost revenue collection and raise tax effort from the current 16.0 percent of GDP in FY 2023/24 to where it was previously, above 20 percent of GDP. This will be done through the implementation of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2024/25 - 2026/27 that will provide a combination of tax administration and policy measures to enhance revenue mobilization; and
- vii. Operationalize Nairobi International Financial Centre (NIFC) to develop a more predictable, efficient and globally competitive financial environment

2. Resource mobilization for financing public expenditure

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

- i. Broaden the tax base and enhance tax compliance;
 - ii. Digitization of government payment services;
 - iii. Mobilization of external and domestic resources;
 - iv. Diversification of borrowing sources;
 - v. Undertake periodical portfolio review, assessment and reporting;
 - vi. Enhance public debt management efficiency and transparency;
 - vii. Support contracting authorities in preparation of PPP projects and procurement of private investors;
 - viii. Support contracting authorities in the management of PPPs in operation;
 - ix. Enhance mobilization of resources for the Project Facilitation Fund (PFF);
 - x. Establish and sustain relations with investors in PPPs;
 - xi. Enhance PPP legal and regulatory framework;
 - xii. Enhance the capacity of County Governments on tax analysis and revenue forecasting; and
 - xiii. Development of legal framework for County Government tax processes.
- ## 3. Policy, legal and institutional frameworks for development planning, budgeting, and intergovernmental and stakeholder relations

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

- i. Enhance uptake of government procurement opportunities by the marginalized groups;
- ii. Promote value for money in public procurement;
- iii. Enforce compliance on public sector accounting standards and other government regulations;
- iv. Support effective implementation and reporting of reform interventions in the PFM Reforms Strategy 2023-2028;
- v. Prepare and disseminate guidelines on PFM with County Governments;
- vi. Enhance compliance with PFM laws by County Governments;
- vii. Enhance compliance of all public sector entities with assets and liabilities policies and guidelines;

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- viii.** Prepare legislative proposals on sharing of resources between the two levels of governments and among the counties are in place;
- ix.** Enhance the capacity of SCs in budgeting, performance contracting, financial reporting, and monitoring;
- x.** Develop Public Investment Policy and Guidelines;
- xi.** Digitalize and automate the budget process;
- xii.** Improve efficiency and effectiveness in pensions administration and management;
- xiii.** To strengthen transparency and accountability in public investment management; and
- xiv.** Provide objective assurance on Management of resources in public sector entities.

4. Strengthened institutional capacity and internal business processes

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

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

10. 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 as guided by the following SMART core values include:

Core Value	Description
Stakeholder participation	Adopt a participatory approach to policy formulation, planning, budgeting, monitoring and evaluation to facilitate inclusiveness, ownership and consensus.
Transparency and accountability	Committed to openness, prudence and accountability in service delivery.
Results oriented	Pursuing timely and effective attainment of targeted results at all levels
Integrity	Uphold high moral standards and professional competence in service delivery.
Customer focus	Putting customers first and continuously provide equitable, timely and quality services that match or exceed their expectations.
Teamwork and commitment	Embracing teamwork and commitment through collaborative efforts of all actors to achieve common goals.

Sustainability Strategy and Profile

The Kenyan economy has remained resilient and is now recovering from the recent multiple domestic and external shocks. These shocks included geopolitical conflicts and adverse effects of climate change.

In order to mitigate the negative impact of these shocks, the following policy interventions have been implemented under the Bottom-Up Economic Transformation Agenda (BETA) centered around three main areas:

- i. Fostering stability in the economy and public finance as a pre-condition for secure and sustained economic growth;
- ii. Strengthening implementation of growth enhancing, structural and institutional reforms; and
- iii. Sustaining measures to boost longer-term resilience and economic growth including public investment for accelerated private investment, supporting manufacturing for job creation, fostering environmental sustainability, climate change mitigation and adaptation.

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

- i) Kenya’s growth outlook indicates a stable macroeconomic environment Growth of 5.3 percent in 2025 enhanced agricultural productivity; resilient services sector; and ongoing implementation of priorities under BETA for inclusive growth;
- ii) Inflation has significantly declined and remained below the target midpoint of 5.0 percent since June 2024, reflecting the effectiveness of monetary policy, and lower energy and food prices. Inflation declined to 4.1 percent in April 2025 from 5.0 percent in April 2024;
- iii) To reduce the cost of credit, monetary policy has gradually eased by lowering the Central Bank Rate from 13.0 percent in August 2024 to 10.0 percent in April 2025, in response to low

inflation and a stable exchange rate. This approach aims to lower interest rates, encouraging banks to lend more to the private sector and stimulate economic activity;

- iv) The foreign exchange market remained stable since March 2024 despite increased global uncertainties, effects of a stronger U.S. Dollar and geopolitical tensions in the Middle East and Eastern Europe; and
- v) The Kenya Shilling exchange rate exchange rate has stabilized against other major international currencies. In April 2025, the exchange rate against the US dollar averaged at Ksh 129.5 compared to an average of Ksh 159.7 in January 2024, an appreciation of 18.9 percent.
- vi) Real GDP grew by 4.7 percent in 2024 supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 percent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities. The economy remained strong and resilient in the first quarter of 2025 with a growth of 4.9 percent, and is projected to rebound and grow by 5.3 percent in 2025;
- vii) Nominal GDP rose to 16.2 trillion in 2024 from Ksh 13.5 trillion in 2023; a 12% increase. Similarly, GDP per capita income increased to Ksh 309,460 in 2023 from Ksh 291,770 in 2023;
- viii) Total new jobs (both formal and informal) generated in the economy were 782.3 thousand in 2024. Of this, wage employment in the modern sector grew by 4.1% which translated to creation of 122.8 thousand new jobs;
- ix) The overall year-on year inflation is under control and within the Government target range of 5 ± 2.5 percent. Inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024;
- x) In June 2025, it exchanged at an average of KSh 129.3 per US Dollar compared with KSh 129.4 per US Dollar in June 2024. Against the Euro, the Shilling traded at an average of KSh 149.2 by end of June 2025 compared to KSh 139.3 by end of June 2024, while against the Sterling Pound, it exchanged at an average of KSh 175.5 compared to KSh 164.5 over the same period.

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

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 National Treasury participated in tree planting exercise which saw over 1,499,260 seedlings planted at Muumandu in Machakos County, Sorget in Kericho County, Kaptaget in Elgeyo Marakwet County. 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 a preparation for the anticipated exit from service in the next two years arising from retirement of officers who will have attained the exits mandatory retirement age. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

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 guarantee 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. In addition, invoices for goods and services received/rendered are paid based on first-in-first-out (fiffo) method.

Community Engagements

Towards Corporate social responsibility, members of staff from the National Treasury participated in tree planting exercise which saw over 1,499,260 seedlings planted at Muumandu in Machakos County, Sorget in Kericho County, Kaptaget in Elgeyo Marakwet County. The National Treasury took part in the 9th edition of the Kaptagat Integrated Livelihood Program's Annual Tree Growing Initiative to advance Kenya's reforestation efforts

11. Statement of 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 MDA shall prepare financial statements in respect of that MDA. 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 CFS Salaries Allowances and Miscellaneous Services financial statements, which give a true and fair view of the state of affairs of the MDA for and as at the end of the financial year (period) ended on June 30, 2025. 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 MDA, (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 MDA; (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 CFS Salaries Allowances and Miscellaneous Services financial statements, which have been prepared on the Accrual 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 CFS Salaries Allowances and Miscellaneous Services financial statements give a true and fair view of the state of MDA's transactions during the financial year ended 30 June, 2025, and of the MDA's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the MDA, which have been relied upon in the preparation of CFS Salaries Allowances and Miscellaneous Services financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the National Treasury confirms that the CFS Salaries Allowances and Miscellaneous Services has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the CFS Salaries Allowances and Miscellaneous Services 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 CFS Salaries Allowances and Miscellaneous Services 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 *National Treasury* financial statements were approved on 29/8/ 2025 and signed by:



.....
Dr. Chris Kiptoo, CBS
Principal Secretary
THE NATIONAL
TREASURY



.....
Raphael O. Otieno
Director General
PUBLIC DEBT
MANAGEMENT OFFICE



.....
CPA Daniel K. Mwangi
Head Public Debt Settlement
ICPAK No.13665

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

REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES – SALARIES, ALLOWANCES AND MISCELLANEOUS SERVICES FOR THE YEAR ENDED 30 JUNE, 2025 – 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in

accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Consolidated Fund Services – Salaries, Allowances and Miscellaneous Services as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with 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 Consolidated Fund Services Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Payment of Guaranteed Loan in Respect of Domestic Borrowing by Kenya Airways Limited

The statement of financial performance reflects transfers to other Government entities-local banks, of Kshs.19,685,136,690 as disclosed in Note 8 to the financial statements. Review of supporting documents indicate that the payment was in respect of a guaranteed Kenya Airways Limited loan with local Banks (Consenting Banks).

Kenya Airways Limited defaulted on the guaranteed debt of USD 225 million (Equivalent of Kshs.22.84 billion), which was partially called up via a demand notice dated 15 August 2024. The partial call ups comprised Standby Letters of Credit (SBLCs) invoked by Kenya Airways Limited lessors and suppliers amounting to USD 107.7 million between May 2022 and September 2024, and loans due to the local banks amounting to USD 42.23 million in December 2024, bringing the total to USD 149.99 million (Equivalent of Kshs.19.68 billion). The Government settled these obligations in January 2025.

The continued repayment of Kenya Airways Limited loans by the Government is contrary to Section 58(2) of the Public Finance Management Act(2012) which provides that the Cabinet Secretary shall not guarantee a loan under subsection (1) unless—(b) the borrower is capable of repaying the loan, and paying any interest or other amount payable in respect of it; (c) in the case of a private borrower, there is sufficient security for the loan; (d) the financial position of the borrower over the medium term is likely to be satisfactory. The loans guaranteed and repaid did not meet the thresholds provided.

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 communicate in my report.

Other Matter

Unresolved Prior Year Matter

In the audit report of the previous year, one issue on Repayment of Principal and Interest Cost in respect of Domestic and Foreign Borrowing by Kenya Airways Limited was raised under Emphasis of Matter. However, Management had not resolved the issue as at 30 June, 2025.

Other Information

Management is responsible for the Other Information set out on page vi to lxii, which comprise of Key National Treasury Information and Management, Profile of the Cabinet Secretary, Profile of the Principal Secretary, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance against Predetermined Objectives, Statement of Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting, and Statement of Management Responsibilities.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-compliance with the One-third Rule on Payment of Salary

Review of the Consolidated Fund Services payroll revealed that fifteen (15) members of staff were paid net salaries that were below a third of their respective basic salaries.

This was contrary to the provisions of Section 19(3) of the Employment Act, 2007, which prohibits employers from deducting from the salaries of employees amounts that exceed two-thirds (2/3) of the basic salaries of the employees.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 financial statements in accordance with International Public Sector Accounting Standards (Accrual 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 governance.

In preparing the financial statements, Management is responsible for assessing The National Treasury's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing The National Treasury'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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024/2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	23,555,594,331
Total		23,555,594,331
Revenue from exchange transactions		
Miscellaneous income		0
Total revenue		23,555,594,331
Expenses		
Employee costs	7	3,555,674,011
Transfers to Other Government Entities- Local Banks	8	19,685,136,690
Total expenses		23,240,810,700
Other gains/(losses)		0
Surplus/Deficit for the year		314,717,630
Net Surplus/Deficit		314,717,630

The Financial Statements set out on pages 1 to 6 were signed by:



.....
Dr. Chris Kiptoo, CBS
Principal Secretary
National Treasury



.....
Raphael O. Otieno
Director General
Public Debt Management
Office



.....
Daniel K. Mwangi
Head Public Debt Settlement
ICPAK M/No 13665

13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	2024/2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	23,555,594,331
Total		23,555,594,331
Revenue from exchange transactions		
Miscellaneous income		0
Total revenue		23,555,594,331
Expenses		
Employee costs	7	3,555,674,011
Transfers to Other Government Entities- Local Banks	8	19,685,136,690
Total expenses		23,240,810,700
Other gains/(losses)		0
Surplus/Deficit for the year		314,717,630
Net Surplus/Deficit		314,717,630

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The National Treasury
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14. Statement of Financial Position as at 30 June 2025

	Notes	2024/2025	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	9	4,043,640	3,799,385
Receivables from Non-Exchange Transactions	10	1,900,000	0
Total Current Assets		5,943,640	3,799,385
Non-Current Assets			
Total Non- Current Assets		0	0
Total Assets (a)		5,943,640	3,799,385
Liabilities			
Current Liabilities			
Trade and Other Payables	11	118,585,735	398,609,193
Refundable Deposits and Prepayments	12	494,353	250,098
Total Current Liabilities		119,080,088	398,859,291
Non-Current Liabilities			
Trade and Other Payables		208,901,094	241,761,267
Total Non- Current Liabilities		208,901,094	241,761,267
Total Liabilities (b)		327,981,182	640,620,557
Net Assets (a-b)		(322,037,542)	(636,821,172)
Represented by:			
Reserves		0	0
Accumulated Surplus		(322,037,542)	(636,821,172)
Capital Fund		0	0
Net Assets		(322,037,542)	(636,821,172)

The financial statements set out on pages 1 to 6 were signed by:



.....
Dr. Chris Kiptoo, CBS
 Principal Secretary
 National Treasury



.....
Raphael O. Otieno
 Director General
 Public Debt Management
 Office



.....
Daniel K. Mwangi
 Head Public Debt Settlement
 ICPAK M/No 13665

15. Statement of Changes in Net Assets for the year ended 30 June 2025

	Accumulated Surplus	Reserves	Capital Fund	Total
Fund balance as at 30th June 2024	3,865,117	0	0	3,865,117
Prior Year adjustments	(65,732)	0	0	(65,732)
Restated Opening Balance 1st July 2024	3,799,385	0	0	3,799,385
Adjustments				
Recognition of Assets	0	0	0	0
Recognition of Liabilities	(640,620,557)	0	0	(640,620,557)
As at July 1, 2024	(636,821,172)	0	0	(636,821,172)
Return to Exchequer	0			
Surplus/ deficit for the year	314,783,630	0	0	314,783,630
Capital funds received in the year	0	0	0	0
As at June 30, 2025	(322,037,542)	0	0	(322,037,542)

The closing cash book balance as at 30th June 2024 had an amount of Kshs 3,865,117 which included un adjusted entries that were corrected on 1st July 2024. This resulted to a prior year adjustment amount of Kshs 65,732 hence a restated opening balance of Kshs 3,799,385 as at 1st July 2024.

16. Statement of Cash Flows for the year ended 30 June 2025

		<i>2024/2025</i>
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequers	6	23,555,594,331
Other receipts- third party deposits		7,093,177
Total receipts		23,562,687,508
Payments		
Employee costs	7	3,870,457,641
Transfers to other Government Entities		19,685,136,690
Other payments - transfer of third-party deposits		6,848,922
Total payments		23,562,443,253
Net cash flows from/(used in) operating activities		244,255
Cash flows from investing activities		
Net cash flows from/(used in) investing activities		0
Cash flows from financing activities		
Repayment of borrowings		0
Net cash flows from financing Activities		0
Net increase/(decrease) in cash & Cash equivalents		244,255
Cash and cash equivalents at 1 July 2024		3,799,385
Cash and cash equivalents at 30 June 2025	9	4,043,640

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

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	4,209,674,431.00	19,612,529,160.00	23,822,203,591	23,555,594,331	266,609,260	99%
Total Receipts	4,209,674,431.00	19,612,529,160.00	23,822,203,591	23,555,594,331	266,609,260	99%
Payments						
Compensation of employees	4,156,674,431.00	-75,607,529	4,081,066,902	3,815,703,082	265,363,820	93%
Miscellaneous services	53,000,000.00	3,000,000.00	56,000,000.00	54,754,559	1,245,441	98%
Guaranteed debt	0	19,685,136,690	19,685,136,690	19,685,136,690	0	100%
Total Payments	4,209,674,431.00	19,612,529,161	23,822,203,592.00	23,555,594,331	266,609,261	99%
Surplus	0	-1	-1	0	-1	

The entity financial statements were approved on 29/8/2025 and signed by:



.....

Dr. Chris Kiptoo, CBS
Principal Secretary
THE NATIONAL TREASURY



.....

Raphael O. Otieno
Director General
PUBLIC DEBT MANAGEMNT OFFICE



.....

CPA Daniel K. Mwangi
Head Public Debt Settlement
ICPAK No.13665

Budget Reconciliation to the Statement of Cash Flows

Description of Particulars		Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	0
1	Opening balance	3,799,385
2	Changes in deposits	244,255
3	Reason for differences	00
4	Reason for differences	0
	Closing Cash and Cash Equivalent as per the statement of Cash flows	4,043,640

18. Notes to the Financial Statements

1. Establishment

The CFS Salaries Allowances & Miscellaneous is established by and derives its authority and accountability from The Constitutional and Remuneration Act. *The MDA* is wholly owned by the Government of Kenya and is domiciled in Kenya. The MDA's principal activity is remuneration of constitution office holders.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

For the purpose of these financial statements, the *CFS Salaries Allowances & Miscellaneous Services* has been categorized as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer in August 2025.

Reporting period

The reporting period for these financial statements is for the period ended 30 June 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the

nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of CFS Salaries Allowances and Miscellaneous Services for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The CFS Salaries Allowances and Miscellaneous Services pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the CFS Salaries Allowances and Miscellaneous Services is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the CFS Salaries Allowances and Miscellaneous Services policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the CFS Salaries Allowances and Miscellaneous Services future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest

and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. MDAs commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the MDA as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44:	<p><i>Applicable 1st January 2025</i></p>
Non- Current Assets Held for Sale and Discontinued Operations	<p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the</p>

Standard	Effective date and impact:
	<p>criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>

Standard	Effective date and impact:
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The MDA did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The CFS Salaries Allowances and Miscellaneous Services recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the CFS Salaries Allowances and Miscellaneous Services and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the CFS Salaries Allowances and Miscellaneous Services and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The CFS Salaries Allowances and Miscellaneous Services recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net

carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly on *June 2023*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the MDA upon receiving the respective approvals in order to conclude the final budget. Accordingly, the MDA recorded additional appropriations of ***Ksh, 19,612,529,161*** in June 2025 budget following the governing body's approval. The CFS Salaries Allowances and Miscellaneous Services budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under Budget Reconciliation to the Statement of Cash Flows of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial

recognition, investment properties are measured using the cost model and are depreciated over an *N/A*-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the CFS Salaries Allowances and Miscellaneous Services recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Right of use asset

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the CFS Salaries Allowances and Miscellaneous Services incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the CFS Salaries Allowances and Miscellaneous Services expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of

the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

f) Tangible Natural Resources

The CFS Salaries Allowances and Miscellaneous Services recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the MDA; the CFS Salaries Allowances and Miscellaneous Services controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the CFS Salaries Allowances and Miscellaneous Services discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the MDA. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The MDA also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the MDA will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The CFS Salaries Allowances and Miscellaneous Services expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the CFS Salaries Allowances and Miscellaneous Services can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

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

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The CFS Salaries Allowances and Miscellaneous Services does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one MDA and a financial liability or equity instrument of another MDA. At initial recognition, the CFS Salaries Allowances and Miscellaneous Services measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset

or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The CFS Salaries Allowances and Miscellaneous Services classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the CFS Salaries Allowances and Miscellaneous Services management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an MDA has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the CFS Salaries Allowances and Miscellaneous Services classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the MDA manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The CFS Salaries Allowances and Miscellaneous Services assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The CFS Salaries Allowances and Miscellaneous Services recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The CFS Salaries Allowances and Miscellaneous Services classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the CFS Salaries Allowances and Miscellaneous Services

l) Provisions

Provisions are recognized when the CFS Salaries Allowances and Miscellaneous Services A has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the CFS Salaries Allowances and Miscellaneous Services expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The CFS Salaries Allowances and Miscellaneous Services recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the CFS Salaries Allowances and Miscellaneous Services will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

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

o) Contingent assets

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

p) Nature and purpose of reserves

The CFS Salaries Allowances and Miscellaneous Services does not create and maintains reserves in terms of specific requirements.

q) Changes in accounting policies and estimates

The CFS Salaries Allowances and Miscellaneous Services recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

r) Employee benefits

Retirement benefit plans

The CFS Salaries Allowances and Miscellaneous Services provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an MDA pays fixed contributions into a separate MDA (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

The CFS Salaries Allowances and Miscellaneous Services regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant

influence over the *MDA*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

v) Service concession arrangements

The CFS Salaries Allowances and Miscellaneous Services analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the CFS Salaries Allowances and Miscellaneous Services recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the CFS Salaries Allowances and Miscellaneous Services also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) 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.

x) Comparative figures

In preparing these financial statements, the CFS Salaries Allowances and Miscellaneous Services has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an MDA to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the CFS Salaries Allowances and Miscellaneous Services financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

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

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the CFS Salaries Allowances and Miscellaneous Services
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended 30 th June 2025
	Kshs	Kshs	Kshs
Recurrent	23,555,594,331	0	23,555,594,331
Total	23,555,594,331	0	23,555,594,331

7. Employee Costs

Description	2024/2025
	Kshs
Basic salaries of permanent employees	3,336,003,528
Employers housing levy contribution	52,916,399
Employers' contribution to NSSF	1,838,160
Presidency	30,824,068
Retired Presidents	19,750,500
Gratuity for July 2024 to June 2025	114,341,356
Employee costs	3,555,674,011

8. Transfers to Other Government Entities- Local Banks

Description	2024/2025
	Kshs
Guaranteed debt taken over by Government for Kenya Airways	19,685,136,690
Total	19,685,136,690

The payment is in respect of a guaranteed loan with Kenya Airway Limited which had been issued by the Local banks.

9. Cash and Cash Equivalents

Description	2024/2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	4,043,640	3,799,385
Total	4,043,640	3,799,385

9 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2024/2025	Opening statement 1 st July 2024
		Kshs	Kshs
Central Bank of Kenya, CFS Salaries Allowances MISC AND NSSF (KES)	1000204419	4,043,640	3,799,385
Grand Total		4,043,640	3,799,385

10. Receivables from Non-Exchange Transactions

Description	2024/2025		Opening Statement 1 st July 2024	
	Kshs	% of the total	Kshs	% of the total
Other debtors (non-exchange transactions) Salary Advance	1,900,000		0	
Total receivables from non- exchange transactions	1,900,000		0	
Ageing Analysis- Receivables from non-exchange transactions	2024/2025	% of the total	Opening Statement 1st July 2024	% of the total
Less than 1 year	1,900,000	100%	0	%
Between 1-2 years	0	%	0	%
Over 3 years	0	%	0	%
Total	1,900,000	100%	0	0 %

11. Trade and Other Payables

Description	2024/2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Gratuity for commissioners – Current Liability	133,768,207		145,968,198	
Gratuity for commissioners – Non Current Liability	193,718,622		241,761,267	
Employee payables – Judge’s salary arrears	0		252,640,994	
Total trade and other payables	327,486,829		640,370,459	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1st July 2024	% of the Total
Under one year	133,768,207	41%	398,609,193	62%
1-2 years	26,730,677	8%	109,169,254	17%
2-3 years	88,296,547	27%	20,448,672	3%
Over 3 years	78,691,398	24%	112,143,341	19%
Total (tie to above total)	327,486,829	100%	640,370,459	100%

12. Refundable Deposits and Prepayments

Description	2024/2025	Opening Statement 1 st July 2024
	Kshs	Kshs
Customer deposits	494,353	250,098
Prepayments	0	0
Other deposits	0	0
Total deposits	494,353	250,098

13. Cash Generated from Operations

	2024/2025
	Kshs
Surplus for the year before tax	314,783,630
Adjusted for:	
Working capital adjustments	
Increase in inventory	0
Increase in receivables	-1,900,000.00
Increase in deferred income	0
Increase in payables	-312,883,630.37
Increase in payments received in advance	244,255
Net cash flow from operating activities	244,255

14. Financial Risk Management

The CFS Salaries Allowances and Miscellaneous Services activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The CFS Salaries Allowances and Miscellaneous Services overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The CFS Salaries Allowances and Miscellaneous Services does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The CFS Salaries Allowances and Miscellaneous Services financial risk management objectives and policies are detailed below:

i) Credit risk

The CFS Salaries Allowances and Miscellaneous Services has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the CFS Salaries Allowances and Miscellaneous

Services management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the CFS Salaries Allowances and Miscellaneous Services maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at at 1 July 2024				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	3,799,385	0	0	0
Total	3,799,385	0	0	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the CFS Salaries Allowances and Miscellaneous Services has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The CFS Salaries Allowances and Miscellaneous Services has significant concentration of credit risk on amounts due from N/A. The board of directors sets the CFS Salaries Allowances and Miscellaneous Services credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the CFS Salaries Allowances and Miscellaneous Services directors, who have built an appropriate liquidity risk management framework for the management of the CFS Salaries Allowances and Miscellaneous Services short, medium and long-term funding and liquidity management requirements. The CFS Salaries Allowances and Miscellaneous Services manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the CFS Salaries Allowances and Miscellaneous Services under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Financial Risk Management

Sensitivity analysis

The CFS Salaries Allowances and Miscellaneous Services analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs N/A .

15. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the CFS Salaries Allowances and Miscellaneous Services include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the CFS Salaries Allowances and Miscellaneous Services holding 100% of the CFS Salaries Allowances and Miscellaneous Services equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the CFS Salaries Allowances and Miscellaneous Services, both domestic and external.

16. Contingent Assets and Contingent Liabilities

There were no Contingent liabilities

17. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

18. Ultimate And Holding MDA

The MDA ultimate parent is the Government of Kenya.

19. Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Repayments of Principal and interest Cost in respect of domestic and foreign borrowing by Kenya Airways Limited. The National Treasury had not entered into any formal agreements with KQ on repayment of defaulted amounts and the airline had not provided any security to the government of Kenya.	The mandate of recovering guaranteed money paid by the government falls under the department of public investment and public enterprises(GIPE). GIPE has drawn a subsidiary agreement with repayments schedule and a shareholder loan agreement with Kenya Airways dated 9th January 2024 has been signed by the National Treasury.	Not Resolved	At Audit Review
2.	Budgetary Control and performance The statement of comparison of budget and actual	The National Treasury had budgeted for the IEBC Commissioners during the financial year 2023/2024 but there were no recruitments.	Not Resolved	At audit Review.

The National Treasury
 CFS Salaries Allowances & Miscellaneous Services
 Annual Report and Financial Statements for the financial year ended 30 June, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	amounts reflects under- absorption. The under – expenditure implies that some of the budgeted programs and activities may not have been executed during the year.	Also the National Treasury had budgeted for salary review of Judges who were recruited between 2014 and 2016. The award was given and the payments were effected in the Financial year 2024/2025		



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Dr. Chris Kiptoo, CBS
 Principal Secretary
 National Treasury



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Raphael O. Otieno
 Director General
 Public Debt Management
 Office



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Daniel K. Mwangi
 Head Public Debt Settlement
 ICPAK M/No 13665