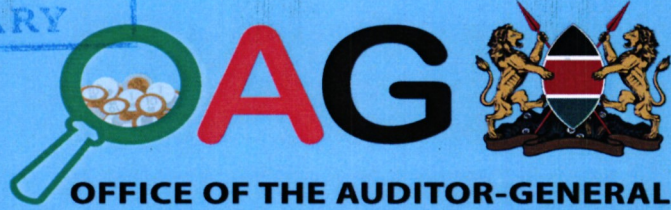


PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 APR 2023	DAY: TUESDAY
TABLED BY: OF	Hon. Kimani Ichungwah, MP Leader of The Majority
CLERK-AT THE-TABLE:	Inzofu Mwale

THE AUDITOR-GENERAL

ON

**CONSOLIDATED FUND SERVICES – PENSION
AND GRATUITIES**

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

THE NATIONAL TREASURY



THE NATIONAL TREASURY AND PLANNING

Consolidated Fund Services Pension and Gratuities

FUND IDENTIFICATION NUMBER R 051

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2022

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

Table of Contents	Page
1. NATIONAL TREASURY INFORMATION AND MANAGEMENT	iv
2. FOREWORD BY THE CABINET SECRETARY	xi
3. STATEMENT BY THE PRINCIPAL SECRETARY	xv
4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	xxiii
5. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xxviii
6. STATEMENT OF THE PENSIONS FUND MANAGEMENT RESPOSIBILITIES	xxx
7. REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FUND SERVICES: PENSION AND GRATUITIES	xxxii
8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022.....	1
9. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE, 2022.....	2
10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022.....	3
11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FY 2021/2022 ...	4
12. NOTES TO THE FINANCIAL STATEMENT	8
13. ANNEXES.....	21
Annex 1: Bank Reconciliation Statement	21
Annex 2: Trial Balance	22
Annex 3: Re-credited Cheques Analysis	23
Annex 4: Certificate of Balances.....	28

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

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

Mission

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

Core Values

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

Mandate of the National Treasury

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

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

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

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

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Management

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

Office of the Principal Secretary

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

Organizational structure of the National Treasury

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

Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Public Private Partnership Unit

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

Directorate of Administrative and Support Services (Common Shared Services)

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

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

(C) Fiduciary Management

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

NO.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Ag. Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Deputy Internal Auditor General	Ms. Jane Micheni
14.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Director, Financial Management Information System	Mr. Stanley Kamanguya, OGW
17.	Director, National Assets and Liability Management	Mrs. Veronicah Okoth
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki

19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Secretary Administration	Mr. Hiram Kahiro, OGW
24.	Head, Accounts Division	Mr. Nemwel Motanya
25.	Head, Finance	Mr. Ambrose Ogango
26.	Head, SCM	Mr. Aggrey kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
31.	Head, Public Communications	Ms. Catherine Njoroge
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

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

Audit Committees

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

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

Project Implementation Committee

To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry.

The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

Parliamentary Activities

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

Development Partner Oversight

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

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

Top Management Committee and Other Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2020/21.

Public Financial Management Sector Working Group

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

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

Monitoring and Evaluation

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

The National Treasury Headquarters

P.O. Box 30007- 00100,
Treasury Building,
Harambee, Avenue
Nairobi Kenya

The National Treasury Contacts

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

The National Treasury Bankers

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

Independent Auditors

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

Principal Legal Adviser

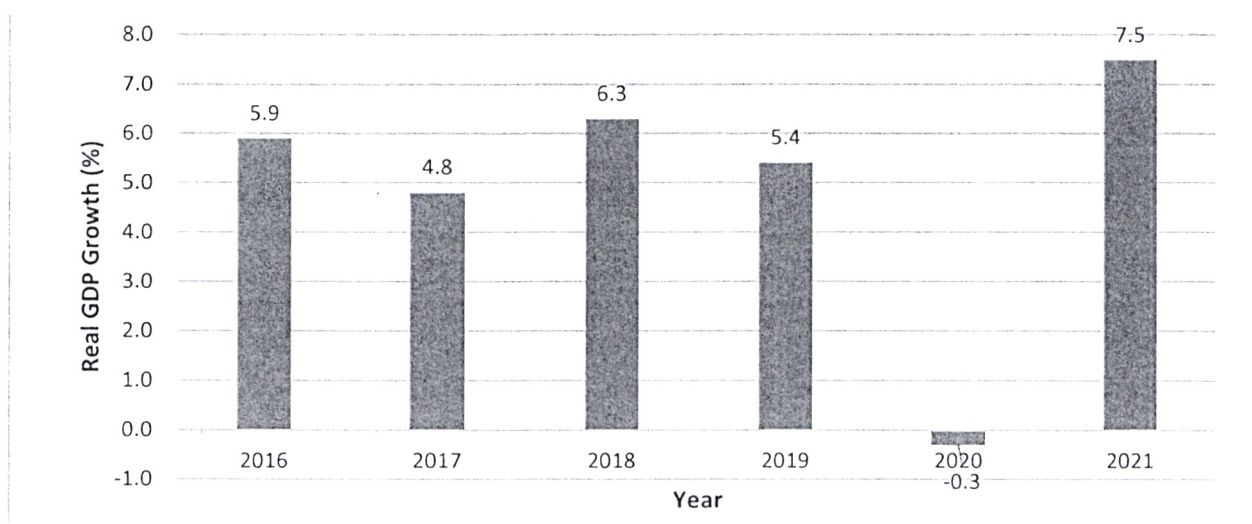
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. FOREWORD BY THE CABINET SECRETARY

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

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

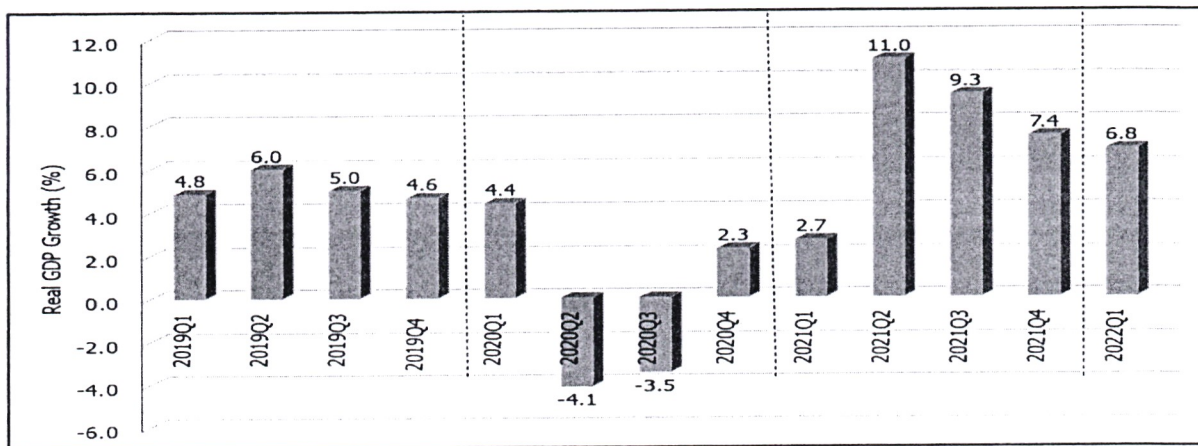
Chart 1: Annual Real GDP Growth Rates



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

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

Chart 2: Quarterly Real GDP Growth Rates



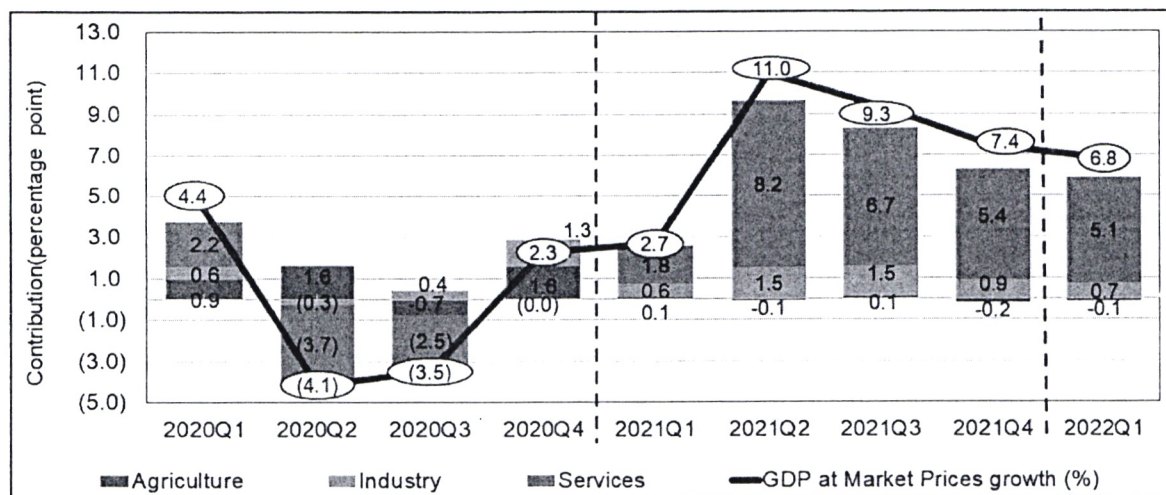
Data Source: National Treasury: Quarterly Economic and Budgetary Review, September 2022

Sectoral Growth rates

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

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

Chart 3: Sectoral contributions to Real GDP Growth



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

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

Inflation

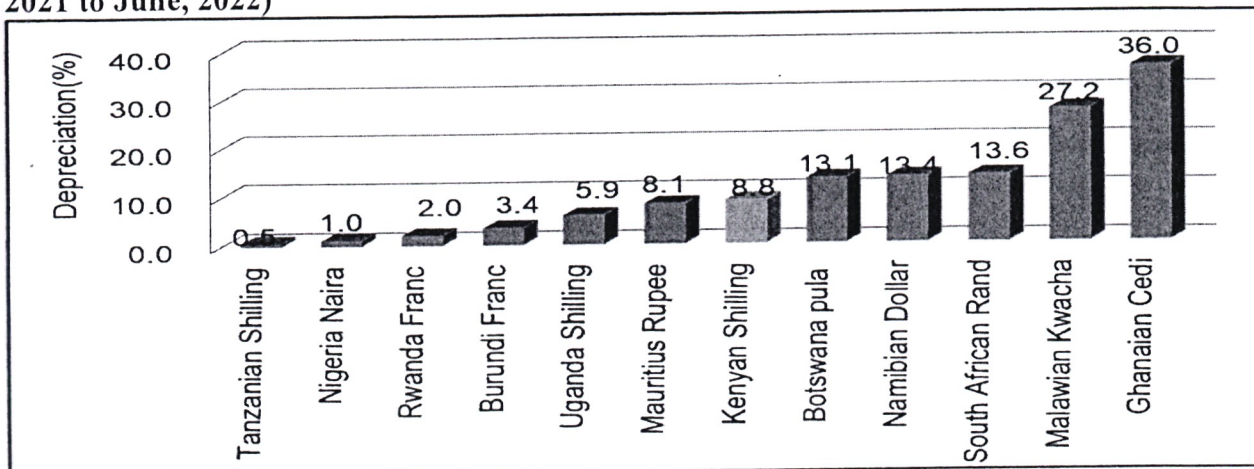
The year-on-year inflation rate increased to 7.9 percent in June 2022 (slightly above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. Notwithstanding this, the increase was moderated by Government measures to stabilize fuel prices, lower electricity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

Exchange Rates

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

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

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



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

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

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

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

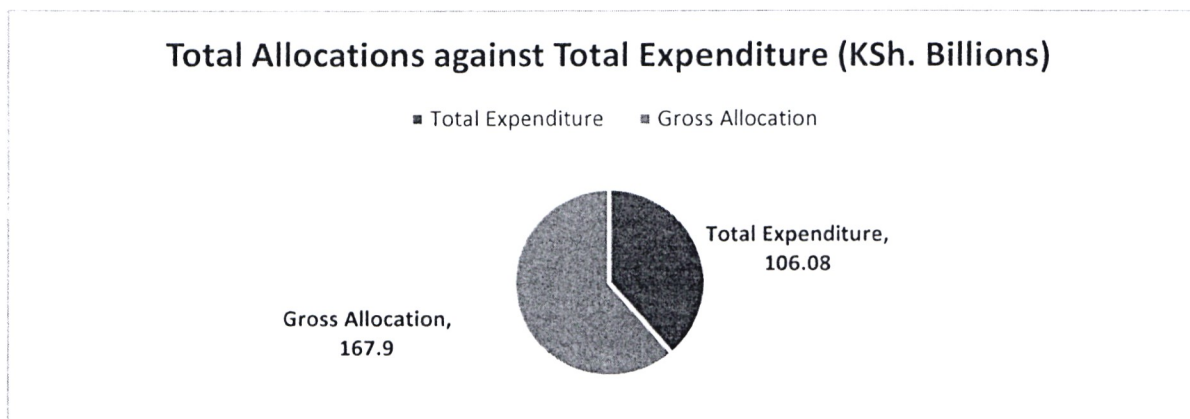
HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND PLANNING

3. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

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

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



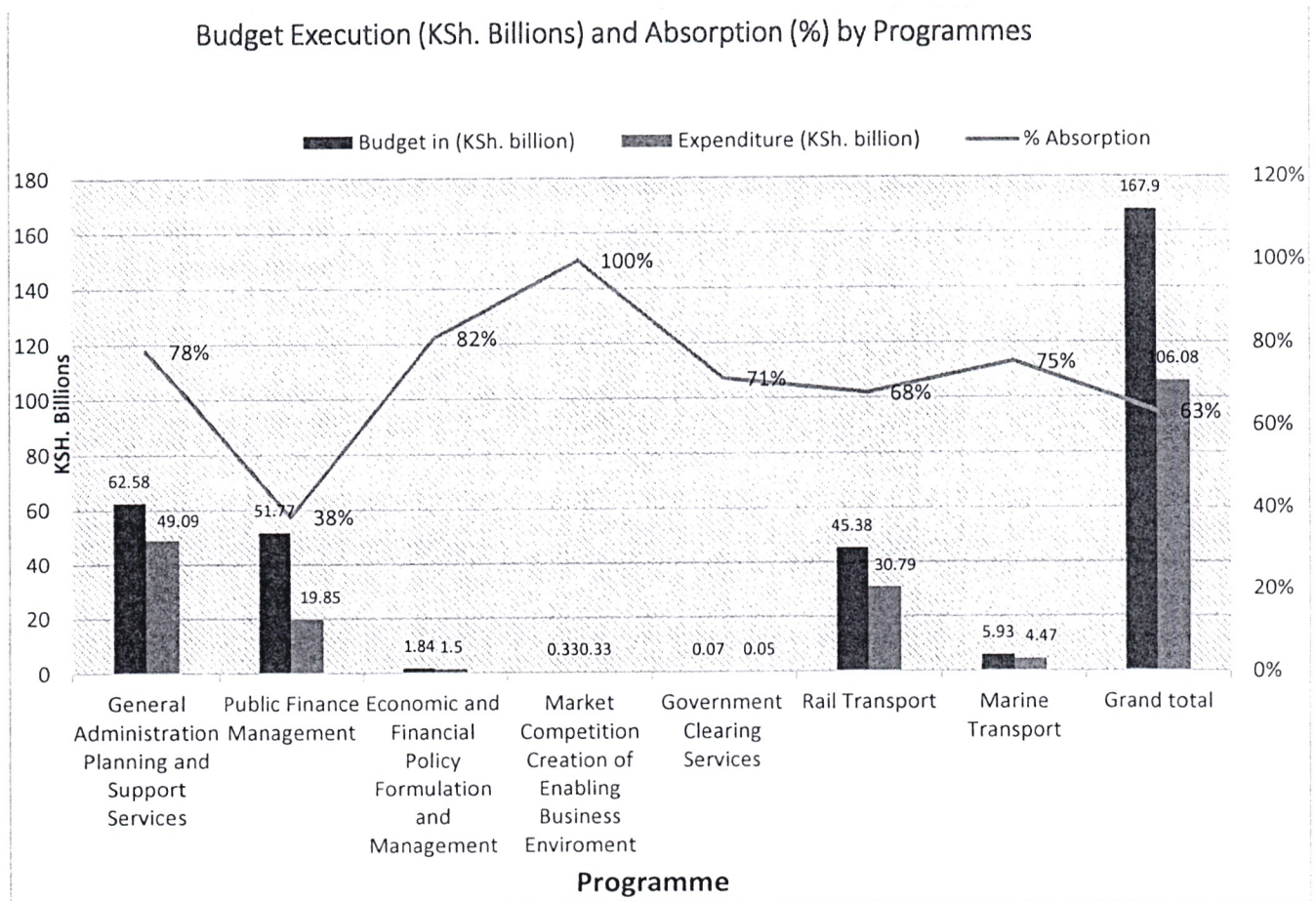
The National Treasury implemented the 2021/22 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling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

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

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

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

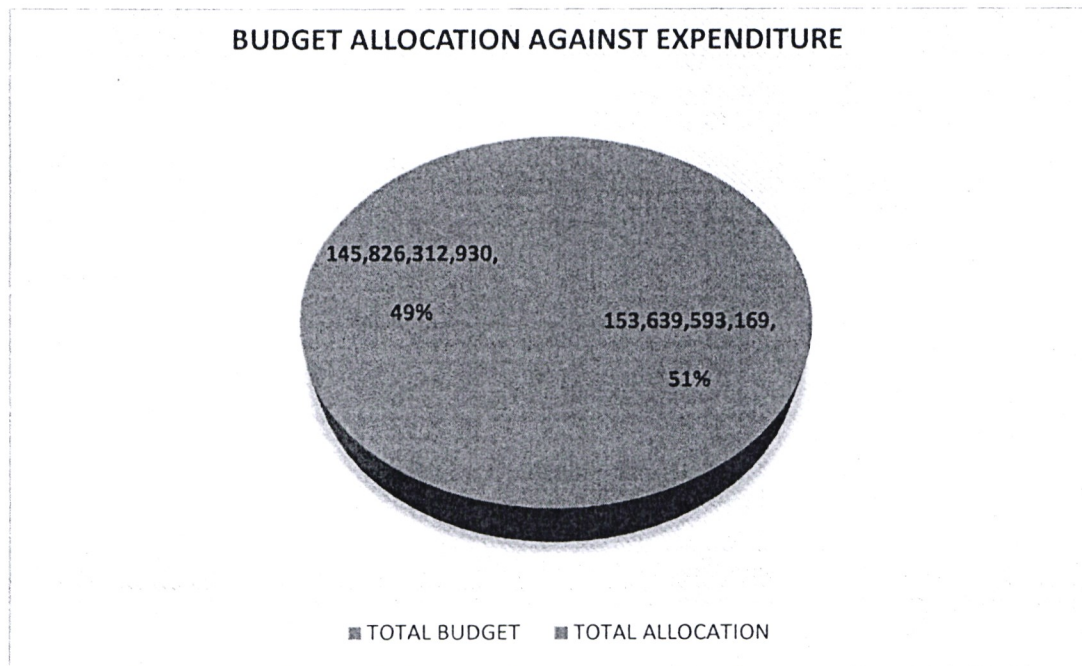
Chart 6: Budget Execution (KSh. Billions) and proportion (%) by Programme



Budget performance – National Treasury Pensions Department

In terms of budget performance, the National Treasury pension department expenditure stood at **Kshs 145,826,312,930** against an approved budget of **Kshs. 153,639,593,168** translating to an overall absorption rate of 95% as demonstrated in that pie chart below:

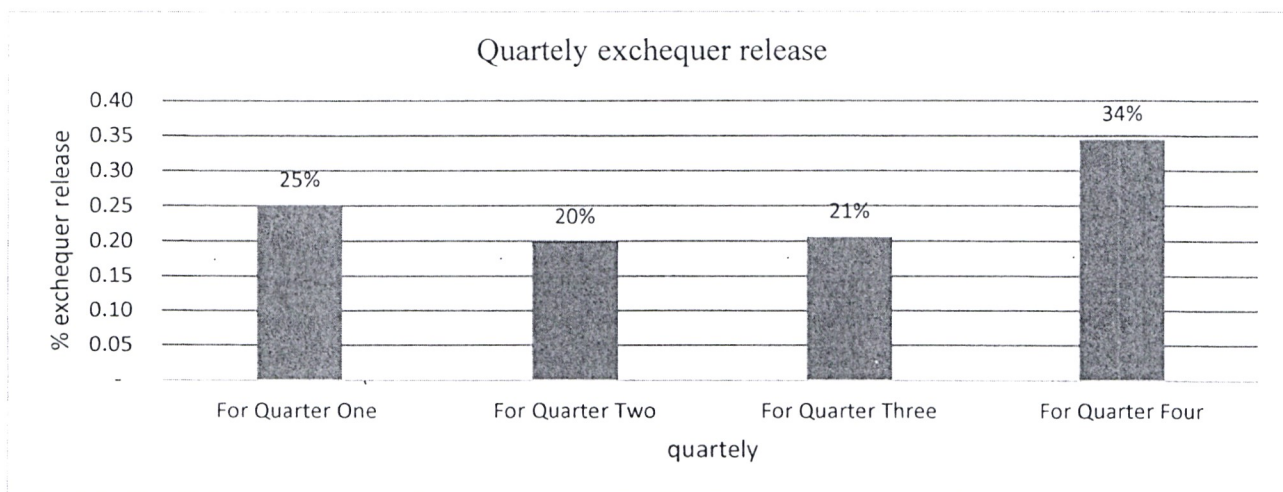
Figure 7: Total Allocation against Total Expenditure



RECEIPTS

The National Treasury Pension Department receipts mainly comprise of exchequer releases from the National Treasury. The total receipts for FY2021/2022 stood at KShs.145,633,271,443, representing 24.22% increase from KShs 110,355,251,544 for FY 2020/2021. This increase was due to increase in budget allocation to PSSS and bi-annual pension increment. The bar chart below shows the exchequer quarterly releases.

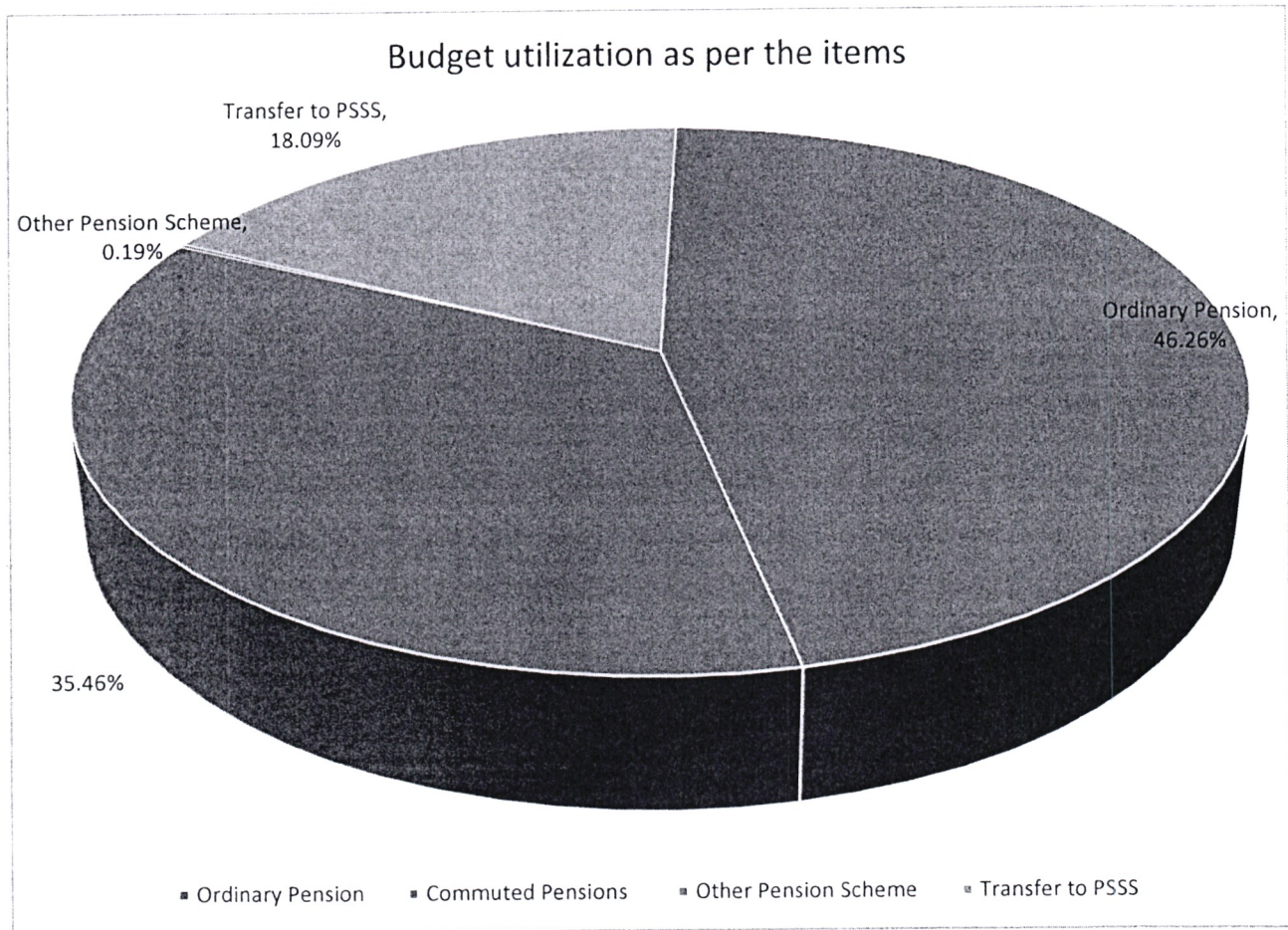
Figure 8: Total exchequer releases



Expenditure

The National Treasury pension department implemented the 2021/22 budget within four economic classifications/programmes. These were **Ordinary Pension, Commuted Pensions, Transfers to PSSS and Other Pension Scheme**. As demonstrated in the pie chart below

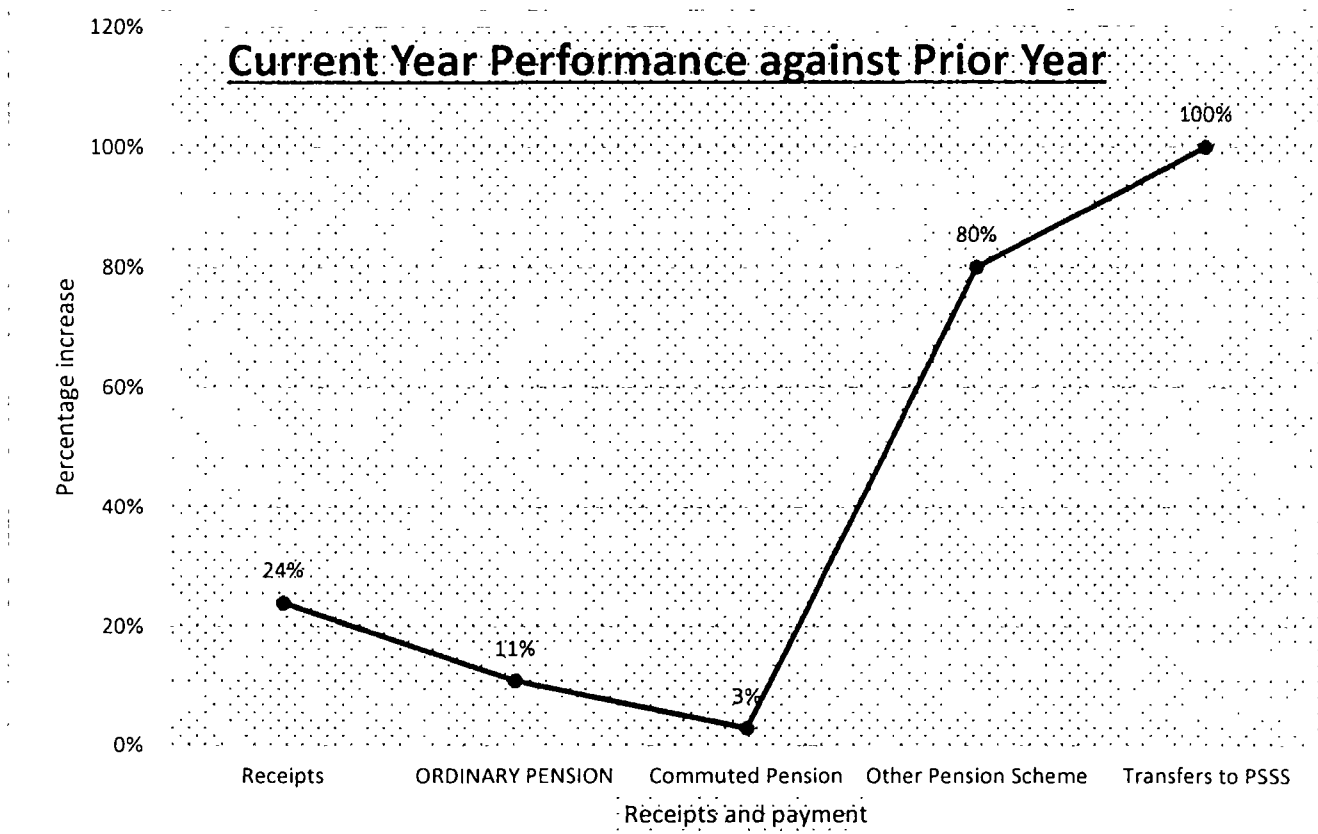
Figure 9: Budget utilization as per the items



Current Year Performance against Prior Year

Total Receipts and Payments increased by 24.22% due to Bi annual pension increment and fund allocated /transferred to PSSS mainly through the exchequer release. As illustrate in the chart below;

Figure 10: Percentage increase of receipt and payment programs of FY 2020/21-2021/22



Key Achievements

Enhanced Revenue Collection

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

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

- i. Developed the Draft National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy;

- ii. Developed the draft information security (PFM Systems) policy to provide guidelines for the holistic management of information security risks within PFM systems operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security;
- iii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iv. Developed the processes and procedures manual for Credit Guarantee Scheme;
- v. Mobilized over KSh. 10 billion for HIV, TB and Malaria interventions;
- vi. Developed the debt risk management framework;
- vii. Mobilized external resources amounting to Kshs.14 billion for the purposes of financing COVID 19 vaccine acquisition, procurement, deployment and other related health interventions aimed at mitigating the effects of COVID 19 Pandemic;
- viii. Developed the e- Government Procurement System.

Emerging Issues

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

- Transition to new Government will require re-alignment of the existing plans and strategies to accommodate Emerging Priorities under the new administration.
- Leveraging on ICT innovations in the delivery of services to the citizenry.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.
- Eastern Europe Conflict: - the ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices.

Challenges

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

- **Resource Constraint**

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

- **Inflationary pressures**

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

- **Shortage of Key Technical Staff**

Despite recruitment of staff across certain cadres such as Economists and Accountants, the National Treasury continues to experience staff shortage across all cadres. This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.

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

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

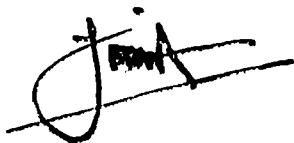
- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,
- The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including:

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

Recommendations

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

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



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

4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Introduction

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

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

Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

MDA Program	Strategic Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services.	To enhance institutional and human resource capacity for quality delivery of services	Efficient and effective service delivery	No. of vehicles leased	3,528 security vehicles were leased for the National Police Service towards enhancing security
			Government Investments Management Information System (GIMIS)	Developed one Government Investments Management Information System (GIMIS)
			% level of compliance to PSSS	On Boarded and maintained all Permanent and Pensionable (P&P) Public servants of age 45 years and below in the Public Service Super Annuation Scheme (PSSS)

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			No. of Pension claims processed	27,117 pensions claims have been processed within 60 days of submission.
Public Financial Management	To increase the reliability, stability and soundness of the financial sector	Increased reliability and soundness of the financial sector	Annual National Budget presented to Parliament by 30th April 2022	Budget presented to parliament.
			Amount mobilized in KSh. (Billion)	A total of KSh. 112.1 billion worth of private capital was mobilized following private sector investments of four PPP projects. namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of PPP projects approved	Four (4) PPP projects were approved namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of Registered AGPO Enterprises	Registered 20,488 AGPO Enterprises
			No. of Strategies	Developed one Medium Term debt strategy.
			No. of VFM Audits reports	Conducted 205 Value for Money Audits due to increased requests for special audit by MDAs.
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Real GDP growth rate (%)	6.8 %
			Inflation rate (%)	7.9%
			Months of import cover	4.9 months of import cover

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			% of fiscal deficit	(6.4) % of GDP
			No. of Policies	Developed the Kenya Digital Finance Policy 2022, Draft National Insurance Policy 2021, Kenya credit and Draft Guarantee Policy 2022.
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2022 & Division of Revenue Bill (DORB) 2022.
			No. of Clients accessing Agricultural Finance Corporation loans	A total of 193,516 client outreach was achieved in both wholesale and retail lending
			Value Capital injected into the Credit Guarantee Scheme (CGS) in KSh. (Billions)	<p>The Government allocated an initial seed capital of KSh.3 billion toward the inaugural CGS for MSME.</p> <p>As at 31st July, 2022, the Scheme had facilitated private sector lending to the 11 sectors of the economy, as designated by CBK. MSMEs across 46 counties had benefited from credit facilities guaranteed under the Scheme. All categories of MSMEs have been able to access credit under the Scheme. During the same period, approximately KSh. 4.03 billion</p>

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

DA Program	Strategic Objective	Outcome	Indicator	Performance
				was lent out to target beneficiaries.
			No. of legal frameworks on financial services sector developed	38 Counties have established their County Climate Change Funds (CCCFs) and opened special purpose accounts to receive the Program Grants.
			No. of Counties with CCF operationalized for the FY 2021/22	40 counties have developed county climate change laws i.e., County Climate Change Acts and County Climate Change Fund Acts. In addition, twelve (12) counties have developed County Climate Finance Polices.
Market Competition and Creation of an Enabling Business Environment	To promote and sustain competition	Sustained high productivity and competitive markets	% of consumer complaints on competition investigated	100% of the consumer complaints investigated and 64% Consumer cases concluded
			% of Merger and acquisitions applications determined	97%
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection guidelines	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline
			RTP Cases concluded as a % of total Investigation	60%

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			% of cases on bid rigging concluded	100%
			% Implementation of framework on consumer protection in Digital Financial Sector	100%

5. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

Sustainability Strategy and Profile

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

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

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

Environmental performance

The National Treasury has constituted a committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management and participated in planting trees in Machakos County thus contributing towards the 10 percent tree cover initiative.

Employee welfare

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a Department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee and Departmental Training Committees that processes all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. In addition, a committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to attract and retain competent officers, the National Treasury conducted capacity building for the staff in various technical subjects and recruited officers at the entry grade to fill skills gaps and enhance human resource capacity. In addition, the National Treasury continued to implement succession management plan by declaring vacant posts to be filled by the Public Service Commission. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

Marketplace 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.

Community Engagements

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

6 STATEMENT OF THE PENSIONS FUND MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the National Treasury is responsible for the preparation and presentation of the Pensions and Gratuities Departments – Pensions and Gratuities financial statements, which give a true and fair view of the state of affairs of the Pension Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Pension Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

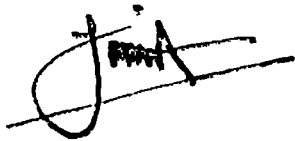
The Accounting Officer in charge of the National Treasury accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Pensions and Gratuities Departments – Pensions and Gratuities financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Accounting Officer in charge of the National Treasury further confirms the completeness of the accounting records maintained for the Pensions and Gratuities Departments – Pensions and Gratuities, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the National Treasury confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the entity's

funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The National Treasury - Pension department financial statements were approved on 22/11 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



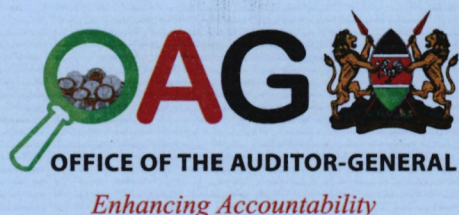
Michael A. Kagika, EBS
SECRETARY/DIRECTOR
OF PENSIONS



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

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES – PENSION AND GRATUITIES FOR THE YEAR ENDED 30 JUNE, 2022 – THE NATIONAL TREASURY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Consolidated Fund Services – Pension and Gratuities set out on pages 1 to 20, which comprise of the statement of

assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Consolidated Fund Services - Pension and Gratuities as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Bank Reconciliation Items

The statement of financial assets and liabilities reflects a bank balance of Kshs.1,991,824,419 which, as disclosed under Note 9 to the financial statements, includes an amount of Kshs.1,324,694,712 in respect of the funds held at the recurrent bank account at the Central Bank of Kenya. However, an examination of the bank reconciliation statement for the month of June, 2022 revealed payments in cash book not in bank amounting to Kshs.145,813,004 with some transactions dating back September, 2019. Further, the reconciliation statement reflects payments in bank not in cash book of Kshs.17,545,255 with some transactions having remained outstanding since 2008. In addition, the bank reconciliation statement reflects receipts in bank not in cash book amounting to Kshs.30,858,908 while receipts in cash book not in bank amounted to Kshs.15,499,065 with some transactions having remained outstanding since 2010.

In the circumstances, the accuracy of the recurrent bank balance of Kshs.1,324,694,712 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Incomplete Pension Records

Note 7 to the financial statements discloses an amount of Kshs.67,582,563,409 paid as ordinary pensions during the year under review. However, in making these payments, Management did not confirm that the payees were alive as there was no mechanism put in place to remove pensioners from the payroll upon their demise. Further, an amount of Kshs.350,736,433 included in the pension payments relates to pensioners with dummy and unconventional identification numbers. In addition, an amount of Kshs.242,936,971 relates to pension payments to pensioners who are below the age of 18.

In the circumstances, the integrity of the pensioners' data used for processing pension payments could not be confirmed.

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

In preparing the financial statements, Management is responsible for assessing the Consolidated Fund Services – Pension and Gratuities’ ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services unless Management is aware of the intention to terminate the Consolidated Fund Services – Pension and Gratuities or to cease operations.

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

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

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

Auditor-General’s Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Fund Services - Pension and Gratuities' ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are

based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Consolidated Fund Services - Pension and Gratuities to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Consolidated Fund Services - Pension and Gratuities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

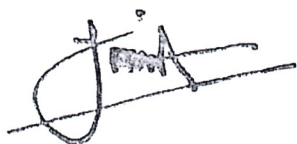
06 February, 2023

8 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022

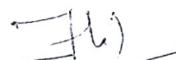
	Note	2021/2022	2020/2021
		Kshs	Kshs
RECEIPTS			Audited
Exchequers releases	5	145,633,271,443	110,355,251,544
Other Receipts	6	7,825,719,146	
TOTAL RECEIPTS		153,458,990,589	110,355,251,544
PAYMENTS			
Payment to Pensions	7	119,449,749,272	110,480,560,178
Transfer to PSSS	8	33,535,153,096	-
TOTAL PAYMENTS		152,984,902,368	110,480,560,178
SURPLUS/DEFICIT		474,088,220	(125,308,634)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The National Treasury- Pension department financial statements were approved on 22/11 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
 PRINCIPAL SECRETARY



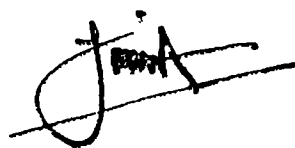
FRANCIS-L. AMUYUNZU
 ICPAK NO. 6175
 DEPUTY ACCT. GENERAL

9 STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE, 2022

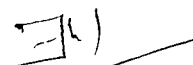
FINANCIAL ASSETS		2021/2022	2020/2021
	NOTES	Kshs.	Audited Kshs.
Cash and Cash Equivalents			
Bank Balances	9	1,991,824,419	1,205,074,907
Total Cash and cash equivalent		1,991,824,419	1,205,074,907
TOTAL FINANCIAL ASSETS		1,991,824,419	1,205,074,907
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	10	(6,484,589,705)	(6,171,928,414)
NET FINANCIAL ASSETS		(4,492,765,286)	(4,966,853,507)
REPRESENTED BY			
Fund balance b/fwd	11	(4,966,853,507)	(4,841,544,873)
Surplus/Deficit for the year		474,088,220	(125,308,634)
NET FINANCIAL POSITION		(4,492,765,286)	(4,966,853,507)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The National Treasury: Pension department financial statements were approved on 22/11/2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



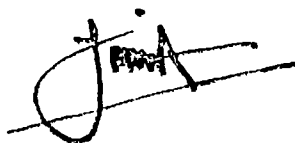
FRANCIS L. AMUYUNZU
ICPAK NO. 6175
DEPUTY ACCT. GENERAL

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

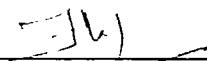
	Notes	2021/2022 Kshs.	2020/2021 Audited Kshs.
Receipts for operating Income			
Exchequer Releases	5	145,633,271,443	110,355,251,544
Other Receipts	6	7,825,719,146	
Payments for operating expenses			
Payment of Pensions	7	119,449,749,272	110,480,560,178
Transfer to PSSS	8	33,535,153,096	-
Increase in re-credited cheques	12	312,661,291	813,724,282
Net cash flow from operating activities		786,749,511	688,415,648
NET INCREASE IN CASH AND CASH EQUIVALENT		786,749,511	688,415,648
Cash and cash equivalent at BEGINNING of the year		1,205,074,907	516,659,259
Cash and cash equivalent at END of the year		1,991,824,419	1,205,074,907

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The National Treasury- Pensions Department financial statements were approved on 22/11, 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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


11 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FY 2021/2022

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual	Budget utilization difference	%
	Kshs	Kshs		Kshs	Kshs	
RECEIPTS			Kshs			
Exchequer releases	153,639,593,169	-	153,639,593,169	145,633,271,443	8,006,321,726	95%
Other receipts				7,825,719,146		
Total Exchequer Releases	153,639,593,169	-	153,639,593,169	153,458,990,589	180,602,580	100%
PAYMENTS						
Payment to Pension	132,809,967,387	-12,000,000,000	120,809,967,387	119,449,749,272	1,360,218,115	99%
Transfer to PSSS	20,829,625,782	12,000,000,000	32,829,625,782	33,535,153,096	(705,527,314)	100%
Total Payments	153,639,593,169	-	153,639,593,169	152,984,902,368	654,690,801	100%
Surplus/(Deficit)	-	-	-	474,088,221	(474,088,221)	-

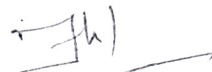
Note:

The amount of Kshs. 12,000,0000 was a reallocation in the budget from Commuted Pension to PSSS. The under expenditure of 20% on PSSS during the financial year was due to non-availability of the exchequer.

The National Treasury- Pension department financial statements were approved on 22/11, 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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

11 (a) Summary Statement of Appropriation: Recurrent for FY 2021/2022

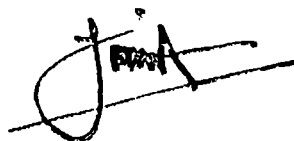
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual	Budget utilization difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS						
Exchequer releases	153,639,593,169	-	153,639,593,169	145,633,271,443	8,006,321,726	95%
Other Receipts				7,825,719,146		
Total Receipts	153,639,593,169	-	153,639,593,169	153,458,990,589	180,602,580	
PAYMENTS						
Payment to Pension	132,809,967,387	(12,000,000,000)	120,809,967,387	119,449,749,272	1,360,218,115	99%
Transfer to PSSS	20,829,625,782	12,000,000,000	32,829,625,782	33,535,153,096	(705,527,314)	100%
Total Payments	153,639,593,169	-	153,639,593,169	152,884,902,368	654,690,801	100%
Surplus/(Deficit)	-	-	-	474,088,221	(474,088,221)	-

Note:

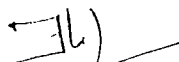
1 The amount of Kshs. 12, 000, 0000 was a reallocation in the budget from Commuted Pension to Employer Contributions to Staff Pensions Scheme (PSSS).

The under expenditure of 20% on PSSS during the financial year was due to none availability of the exchequer.

The National Treasury- Pension department financial statements were approved on 22/11, 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
 PRINCIPAL SECRETARY



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

11 (b) Summary Statement of Appropriation: Development for FY 2021/2022

Note:

- (i) The National Treasury_ Pensions Department does not receive development allocation.

The National Treasury- Pension department financial statements were approved on 22/11, 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY

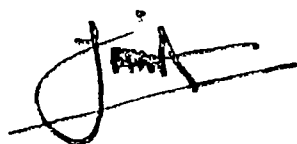


FRANCIS L. AMUYUNZU
ICPAK NO. 6175
DEPUTY ACCT. GENERAL

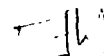
11 (c) Budget Execution by Programmes and Sub-Programmes for FY 2021/2022

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual cumulative to date	Budget utilization difference
	2022		2022	2022	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Ordinary Pension	64,098,808,732	400,000,000	64,498,808,732	67,582,563,409	(2,973,874,673)
Commuted Pensions	68,469,058,655	(12,400,000,000)	56,069,058,655	51,770,914,803	4,354,582,385
Other Pension Scheme	242,100,000	-	242,100,100	96,271,061	(29,924,590)
Transfer to PSSS	20,829,625,781	12,000,000,000	32,829,625,781	26,376,563,658	6,453,062,124
Other Transfers				7,158,589,438	
TOTAL	153,639,593,168	-	153,639,593,168	152,984,902,368	654,690,801

The National Treasury: Pension department financial statements were approved on 22/11 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



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

12 NOTES TO THE FINANCIAL STATEMENT

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

1. Statement of compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the National Treasury-Pensions Department .The statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity.

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by Pensions and Gratuities Department (Pension and Gratuities) for all the years presented.

a) Recognition of Receipts

The Pensions and Gratuities Department (Pension and Gratuities) recognises all receipts from the various sources when the event occurs, and the related cash has been received by the Pensions and Gratuities Department (Pension and Gratuities).

(i) Transfers from the Exchequer

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving Pensions and Gratuities Department (Pension and Gratuities).

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2022, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Significant Accounting Policies (Continued)

(iii) Other receipts

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

b) Recognition of payments

The Pensions and Gratuities Department (Pension and Gratuities) recognises all payments when the event occurs, and the related cash has been paid out by the Pensions and Gratuities Department (Pension and Gratuities).

i) Compensation of Employees

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

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Principal on borrowing

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

Significant Accounting Policies (Continued)

v) Acquisition of Fixed Assets

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

A fixed asset register is maintained and a summary provided for purposes of consolidation.

vi) In-kind contributions

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

vii) Third Party Payments

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

Significant Accounting Policies (Continued)

c) 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.

A bank account register is maintained and a summary provided for purposes of consolidation.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits as at 30 June, 2022 this amounted to Kshs 6,484, 589,705 compared to Kshs 6,171,928,414 in prior period as indicated on note 8. There were no other restrictions on cash during the year.

d) Imprests and advances

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

Significant Accounting Policies (Continued)

e) Third party deposits and retention

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

Other liabilities including pending bills are disclosed in the financial statements.

f) Pending Bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in June 2021 for the period 1st July 2021 to 30th June 2022 as required by Law and there were two number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

Significant Accounting Policies (Continued)

h) Comparative Figures

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

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30 June, 2022.

j) Prior Period Adjustment

During the financial year 2021/2022, we did not have any prior financial error.

k) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

Significant Accounting Policies (Continued)

l) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, and indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Pensions and Gratuities Department (Pension and Gratuities) 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.

Notes to the Financial Statements (Continued)

5 Exchequer releases

Total Exchequer Releases	2021/2022			2020/2021
	CFS	PSSS	Total	Audited
	Kshs	Kshs	Kshs	Kshs
For Quarter One	23,765,235,947	12,722,305,620	36,487,541,567	20,437,528,485
For Quarter Two	25,039,767,309	3,846,904,002	28,886,671,311	22,409,319,856
For Quarter Three	28,120,571,731	1,917,606,763	30,038,178,495	17,200,020,657
For Quarter Four	42,331,132,798	7,889,747,273	50,220,880,070	50,308,382,546
Total	119,256,707,785	26,376,563,658	145,633,271,443	110,355,251,544

6 Other Receipt

The amount of Kshs.7, 825,719,146.00 are receipts from various MDA in respect of deductions from employees being contribution towards the PSSS contributions.

7 Payment of Pensions

PAYMENTS OF PENSIONS	2021/2022	2020/2021
Ordinary Pensions	Kshs	KShs
Civil Pensions	51,667,686,206	46,809,095,923
Military Pensions	6,597,949,940	5,980,650,184
Widows, Children & Dependants Pension	8,836,074,483	7,098,960,819
Civil Pensions MP's	467,652,780	291,135,591
Civil Pensions President	13,200,000	15,840,000
Sub Total	67,582,563,409	60,195,682,517
Commuted Pension		
Commuted Pensions and gratuities	45,209,121,739	43,179,361,605
Military gratuities	4,079,171,879	5,497,927,754
Commuted Pensions MP's	141,164,466	13,258,787
Commuted Pensions	2,341,456,718	1,539,993,869
Sub Total	51,770,914,802	50,230,542,015
Other Pension Scheme		
Refunds and other ex-gratia allowances	8,869,061	12,032,287
Payment to Crown Agents	87,402,000	42,303,360
Sub Total	96,271,061	54,335,647
Total	119,449,749,272	110,480,560,178

Notes to the Financial Statements (Continued)

8 Employer/Employee Contributions to Staff Pensions Scheme (Transfer to PSSS)

	2021/2022	2020/2021
	Kshs	Kshs
Employer Contributions to Staff Pensions Scheme	26,376,563,658	-
Employee Contributions to Staff Pensions Scheme	7,158,589,438	-
Total	33,535,153,096	-

(The 1st contribution was received in FY 2021-2022)

9 Cash and Bank Accounts

Bank Accounts

Name of Bank, Account No. & Currency	Indicate whether recurrent, Development, deposit etc.	2021/2022	2020/2021
		Kshs	Kshs
CFS - Pensions Central Bank Of Kenya Account No.1000204397 (KES)	Recurrent	1,324,694,712	1,205,074,907
PSSS Central Bank of Kenya Account No.1000482044 (KES)	Recurrent	667,129,707	-
Total		1,991,824,419	1,205,074,907

Note: Amount of Kshs 667,129,707 is due to PSSS being Employee contributions.

Notes to the Financial Statements (Continued)

10 Third party deposits and retention

Deposits (Re-credited cheques)	6,484,589,705	6,171,928,414
Total	6,484,589,705	6,171,928,414

[Deposit increases from 6.17 billion to 6.48 billion due increase in re-credited cheques]

11 Fund Balance Brought Forward

	2021/2022	2020/2021
	Kshs.	KShs
Bank Balance	1,205,074,907	516,659,258
Accounts Payables	(6,171,928,414)	(5,358,204,131)
Total	(4,966,853,507)	(4,841,544,873)

These are balances related to the last financial year.

12 Increase/ (Decrease) in Retention and Third-Party Deposits /re-credited cheques

Payables As At 1 st July	6,171,928,514	5,358,204,131
Payables As At 30 th June	6,484,589,705	6,171,928,514
Increase/ (Decrease) In Payables	312,661,191	813,724,283

Notes to the Financial Statements (Continued)

13 Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Pensions and Gratuities Department.


- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

Notes to the Financial Statements (Continued)

13. Progress on follow up of Prior Years 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
45	Unsupported Accounts Payable	Schedule of re-credited cheques for the last 12 years provided	Michael Kagika S/Director Pensions	Partially resolved	
46	Long Outstanding Reconciliation Items.	Effort done	Michael Kagika S/Director Pensions	Partially resolved	
50	Failure to Adhere to Regulations and Service Level Agreement on Processing.	A team is appointed to address files that have taken long before completion.	Michael Kagika S/Director Pensions	Resolved	
51	Failure to Provide Internal Audit Reports.	Internal Audit to address.	Michael Kagika S/Director Pensions	Resolved	



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



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

13 ANNEXES

Annex 1: Bank Reconciliation Statement

REPUBLIC OF KENYA		
F.O 30		
PENSIONS DEPT-NAIROBI CFS-R051 A/C NO 1000204397		
<u>BANK RECONCILIATION AS AT THE END OF 30 JUNE, 2022</u>		
DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		7,847,788,215.70
LESS- 1 & 2		
1.PAYMENTS IN CASH BOOK NOT IN BANK	6,525,356,694.43	
<i>[UNPRESENTED CHEQUES]</i>		
TOTAL UNCLEARED EFFECTS		
2. RECEIPTS IN BANK NOT IN CASH BOOK	30,858,908.20	
TOTAL-APENDEX 1 & 2	6,556,215,602.63	(6,556,215,602.63)
3.PAYMENT IN BANK NOT IN CASHBOOK-	17,623,032.05	
4. RECEIPTS IN CASH BOOK NOT IN BANK	15,499,065.82	
TOTAL APENDEX 3 & 4	33,122,097.87	33,122,097.87
BANK BALANCE AS PER CASHBOOK		1,324,694,711.45

"DETAILS OF THE ABOVE ATTACHED"

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

Signature-----Designation
PRINCIPAL ACCOUNTANT

DATE-----

Annex 2: Trial Balance

TRIAL BALANCE
 CFS PENSIONS
 FOR THE YEAR ENDED 30 JUNE, 2022

	DR	CR
Exchequer releases		145,633,271,443
Other Receipts		7,825,719,146
Payments to Pensions	119,449,749,272	
Transfer to PSSS (Employer Contributions to Staff Pensions Scheme)	26,376,563,658	
Other Payments	7,158,589,438	
Bank Balances	1,324,694,711	
Bank Balances	667,129,707	
Accounts Payables - Deposits		6,484,589,705
Fund balance b/fwd	4,966,853,507	
	159,943,580,294	159,943,580,294

TRIAL BALANCE
 CFS PENSIONS
 FOR THE YEAR ENDED 30 JUNE, 2021

	DR	CR
Exchequer releases		110,355,251,544
Other Receipts		2,907,015
Payments to Pensions	110,337,164,803	
Other Payments	74,727	
Bank Balances	1,205,074,907	
Accounts Payables - Deposits		6,171,928,513
Fund balance b/fwd	4,841,544,873	
Prior year adjustments	146,227,761	
	116,530,087,071	116,530,087,072

Annex 3: Re-credited Cheques Analysis

Re- Credited cheque Analysis 2008/2009 to 2021/2022					
		Receipts	Payment	Balance	
June	2008/2009	246,623,515	0	246,623,515	246,623,515
	2008/2009	381,075,298		381,075,298	627,698,813
	2008/2009	0	2,360,628	(2,360,628)	625,338,184
	2008/2009	18,709,786		18,709,786	644,047,971
	2008/2009	727,459		727,459	644,775,429
	2008/2009	151,501,064		151,501,064	796,276,494
JULY	2009/2010	137,647,631	152,326,039	(14,678,408)	781,598,086
August	2009/2010	7,720,026	0	7,720,026	789,318,112
September	2009/2010	2,911,265	0	2,911,265	792,229,377
October	2009/2010	17,539,144	0	17,539,144	809,768,521
November	2009/2010	140,793,405	53,768	140,739,637	950,508,158
December	2009/2010	5,803,436	0	5,803,436	956,311,594
January	2009/2010	5,433,210	0	5,433,210	961,744,805
February	2009/2010	27,603,471	482,928	27,120,543	988,865,347
March	2009/2010	48,266,238	18,777,608	29,488,630	1,018,353,977
April	2009/2010	48,663,023	31,166,119	17,496,904	1,035,850,881
May	2009/2010	30,346,104	26,952,959	3,393,145	1,039,244,026
June	2009/2010	803,008,657	13,743,899	789,264,758	1,828,508,784
JULY	2010/2011	10,216,909	0	10,216,909	1,838,725,693
August	2010/2011	11,351,449	10,673,210	678,239	1,839,403,932
September	2010/2011	22,799,667	29,973,516	(7,173,849)	1,832,230,083
October	2010/2011	10,920,705	14,957,478	(4,036,773)	1,828,193,310
November	2010/2011	42,400,796	15,150,330	27,250,466	1,855,443,776
December	2010/2011	8,171,956	10,255,510	(2,083,555)	1,853,360,221
January	2010/2011	28,314,564	20,610,014	7,704,550	1,861,064,771
February	2010/2011	14,533,656	11,285,033	3,248,624	1,864,313,395
March	2010/2011	75,894,794	18,107,243	57,787,552	1,922,100,946
April	2010/2011	41,674,139	7,149,264	34,524,875	1,956,625,821
May	2010/2011	20,633,119	26,081,711	(5,448,592)	1,951,177,229
June	2010/2011	27,374,491	12,718,082	14,656,409	1,965,833,638
JULY	2011/2012	44,304,109	4,659,227	39,644,882	2,005,478,520
August	2011/2012	19,265,679	16,599,480	2,666,199	2,008,144,719
September	2011/2012	30,657,422	19,101,438	11,555,983	2,019,700,702
October	2011/2012	11,300,590	6,967,332	4,333,257	2,024,033,959
November	2011/2012	16,316,345	18,912,309	(2,595,964)	2,021,437,995

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

December	2011/2012	11,713,405	4,552,884	7,160,520	2,028,598,515
January	2011/2012	25,572,833	14,864,980	10,707,854	2,039,306,369
February	2011/2012	52,303,987	13,244,740	39,059,247	2,078,365,616
March	2011/2012	13,612,659	10,179,964	3,432,695	2,081,798,311
April	2011/2012	13,414,196	10,030,879	3,383,317	2,085,181,628
May	2011/2012	46,033,658	14,977,374	31,056,284	2,116,237,912
	2011/2012		52,451	(52,451)	2,116,185,461
June	2011/2012	44,749,994	34,014,267	10,735,727	2,126,921,188
JULY	2012/2013	79,253,050	4,683,061	74,569,990	2,201,491,177
August	2012/2013	4,189,380	25,619,723	(21,430,343)	2,180,060,834
	2012/2013	0	251,816,158	(251,816,158)	1,928,244,677
September	2012/2013	19,642,818	15,949,227	3,693,592	1,931,938,268
October	2012/2013	19,285,376	15,781,882	3,503,494	1,935,441,763
November	2012/2013	11,682,140	18,286,514	(6,604,374)	1,928,837,388
December	2012/2013	38,276,021	6,704,757	31,571,264	1,960,408,652
January	2012/2013	19,316,684	7,946,357	11,370,328	1,971,778,980
February	2012/2013	28,849,059	5,545,043	23,304,017	1,995,082,997
March	2012/2013	10,667,887	14,268,929	(3,601,042)	1,991,481,955
April	2012/2013	6,248,608	8,662,094	(2,413,486)	1,989,068,468
May	2012/2013	56,007,939	7,695,175	48,312,763	2,037,381,232
June	2012/2013	337,590,156	11,811,222	325,778,933	2,363,160,165
JULY	2013/2014	0	0	0	2,363,160,165
August	2013/2014	27,137,708	1,334,228	25,803,480	2,388,963,645
September	2013/2014	15,027,221	11,967,784	3,059,438	2,392,023,083
October	2013/2014	26,101,719	9,245,782	16,855,937	2,408,879,019
November	2013/2014	11,787,084	13,138,455	(1,351,372)	2,407,527,648
December	2013/2014	23,212,948	14,453,567	8,759,381	2,416,287,029
January	2013/2014	14,862,160	11,054,529	3,807,631	2,420,094,660
February	2013/2014	13,131,286	12,691,579	439,707	2,420,534,367
March	2013/2014	36,811,541	10,740,343	26,071,198	2,446,605,566
April	2013/2014	39,806,222	12,526,245	27,279,978	2,473,885,543
May	2013/2014	55,031,698	44,830,947	10,200,751	2,484,086,295
June	2013/2014	14,648,450	24,924,657	(10,276,207)	2,473,810,088
		0	129,259,140	(129,259,140)	2,344,550,948
JULY	2014/2015	12,722,851	0	12,722,851	2,357,273,799
August	2014/2015	31,007,721	7,678,817	23,328,903	2,380,602,702
September	2014/2015	34,308,271	10,148,807	24,159,464	2,404,762,166
October	2014/2015	18,422,564	6,317,373	12,105,191	2,416,867,357

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

November	2014/2015	15,916,918	6,430,628	9,486,290	2,426,353,648
December	2014/2015	2,749,381	10,764,695	(8,015,314)	2,418,338,333
January	2014/2015	28,136,541	2,516,553	25,619,988	2,443,958,321
February	2014/2015	27,960,792	8,865,122	19,095,670	2,463,053,991
March	2014/2015	23,419,319	40,465,670	(17,046,350)	2,446,007,641
April	2014/2015	22,037,491	13,261,915	8,775,576	2,454,783,216
May	2014/2015	31,628,167	12,069,956	19,558,211	2,474,341,427
June	2014/2015	15,604,934	20,276,741	(4,671,806)	2,469,669,621
	2014/2015	0	18,709,786	(18,709,786)	2,450,959,834
	2014/2015	0	727,459	(727,459)	2,450,232,376
	2014/2015	2,360,628		2,360,628	2,452,593,004
	2014/2015	0	151,553,515	(151,553,515)	2,301,039,489
JULY	2015/2016	0	0	0	2,301,039,489
August	2015/2016	81,161,644	13,271,055	67,890,589	2,368,930,077
September	2015/2016	211,494,951	81,412,746	130,082,205	2,499,012,282
October	2015/2016	64,558,471	10,688,415	53,870,055	2,552,882,337
November	2015/2016	31,603,054	13,946,215	17,656,839	2,570,539,176
December	2015/2016	33,609,158	21,755,883	11,853,275	2,582,392,451
January	2015/2016	30,788,951	20,991,276	9,797,676	2,592,190,127
February	2015/2016	78,265,717	69,940,558	8,325,159	2,600,515,286
March	2015/2016	44,949,948	45,036,049	(86,100)	2,600,429,185
April	2015/2016	46,117,607	54,030,917	(7,913,310)	2,592,515,875
May	2015/2016	166,957,663	36,654,653	130,303,010	2,722,818,885
June	2015/2016	191,733,620	57,644,215	134,089,405	2,856,908,290
JULY	2016/2017	21,741,200		21,741,200	2,878,649,490
August	2016/2017	45,444,774	19,542,704	25,902,070	2,904,551,560
September	2016/2017	75,707,779	85,762,249	(10,054,470)	2,894,497,090
October	2016/2017	61,695,213	36,229,083	25,466,130	2,919,963,221
November	2016/2017	69,208,592	33,709,161	35,499,431	2,955,462,652
December	2016/2017	24,233,250	27,268,521	(3,035,271)	2,952,427,380
January	2016/2017	117,171,253	25,501,348	91,669,905	3,044,097,285
February	2016/2017	17,089,884	13,311,111	3,778,773	3,047,876,059
March	2016/2017	165,943,962	38,532,257	127,411,705	3,175,287,764
April	2016/2017	97,486,401	37,859,141	59,627,259	3,234,915,023
May	2016/2017	27,919,410	31,237,809	(3,318,399)	3,231,596,624
June	2016/2017	61,961,852	46,650,902	15,310,950	3,246,907,573
JULY	2017/2018	23,639,056		23,639,056	3,270,546,629
August	2017/2018	288,446,116	30,859,492	257,586,624	3,528,133,253

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

September	2017/2018	61,753,911	42,169,507	19,584,404	3,547,717,657
October	2017/2018	42,301,996	32,960,269	9,341,726	3,557,059,383
November	2017/2018	55,537,004	46,323,090	9,213,914	3,566,273,297
December	2017/2018	157,746,214	5,051,006	152,695,208	3,718,968,505
January	2017/2018	41,842,074	37,636,627	4,205,447	3,723,173,952
February	2017/2018	54,609,074	39,372,392	15,236,682	3,738,410,634
March	2017/2018	49,114,265	32,102,337	17,011,928	3,755,422,561
April	2017/2018	46,909,284	16,307,810	30,601,474	3,786,024,035
May	2017/2018	45,823,435	36,178,258	9,645,177	3,795,669,212
June	2017/2018	323,532,348	53,261,806	270,270,542	4,065,939,754
JULY	2018/2019	1,517,206		1,517,206	4,067,456,960
August	2018/2019	47,751,179	16,557,638	31,193,541	4,098,650,500
September	2018/2019	64,890,087	22,789,560	42,100,527	4,140,751,028
October	2018/2019	91,087,926	51,996,828	39,091,099	4,179,842,126
November	2018/2019	89,315,925	73,891,151	15,424,774	4,195,266,900
December	2018/2019	192,003,265	29,287,585	162,715,680	4,357,982,580
January	2018/2019	73,650,613	18,436,316	55,214,297	4,413,196,878
February	2018/2019	762,143	0	762,143	4,413,959,021
March	2018/2019	33,985,554	1,408,670	32,576,884	4,446,535,905
April	2018/2019	82,142,667	41,970,938	40,171,729	4,486,707,633
May	2018/2019	35,679,970	31,492,464	4,187,507	4,490,895,140
June	2018/2019	117,047,105	151,065,008	(34,017,903)	4,456,877,238
JULY	2019/2020	239,864,164		239,864,164	4,696,741,402
August	2019/2020	229,662,097	35,514,133	194,147,964	4,890,889,366
September	2019/2020	137,007,413	40,174,047	96,833,366	4,987,722,732
October	2019/2020	161,430,954	96,948,375	64,482,579	5,052,205,311
November	2019/2020	225,249,831	140,415,709	84,834,122	5,137,039,433
December	2019/2020	108,159,213	63,900,926	44,258,287	5,181,297,720
January	2019/2020	109,827,014	53,714,451	56,112,564	5,237,410,284
February	2019/2020	37,790,325	46,572,811	(8,782,486)	5,228,627,798
March	2019/2020	21,552,614	41,199,740	(19,647,126)	5,208,980,672
April	2019/2020	32,756,632	25,414,611	7,342,021	5,216,322,693
May	2019/2020	117,058,767	29,362,959	87,695,808	5,304,018,501
June	2019/2020	446,989,725	388,048,830	58,940,895	5,362,959,395
JULY	2020/2021	57,880,163	14,502,611	43,377,552	5,406,336,947
August	2020/2021	190,270,428	67,363,522	122,906,906	5,529,243,853
September	2020/2021	185,195,339	71,328,116	113,867,223	5,643,111,076
October	2020/2021	109,958,935	66,798,795	43,160,139	5,686,271,215

The National Treasury & Planning
Consolidated Fund Services: Pensions and Gratuities
Annual Report and Financial Statements for the year ended 30 June, 2022

November	2020/2021	32,327,996	27,380,083	4,947,913	5,691,219,129
December	2020/2021	54,434,198	13,991,683	40,442,515	5,731,661,644
January	2020/2021	68,013,554	43,272,848	24,740,707	5,756,402,350
February	2020/2021	160,092,903	39,068,695	121,024,208	5,877,426,558
March	2020/2021	131,474,165	44,784,265	86,689,900	5,964,116,458
April	2020/2021	31,541,638	66,075,418	(34,533,780)	5,929,582,678
May	2020/2021	154,864,505	64,122,583	90,741,922	6,020,324,600
June	2020/2021	181,342,745	29,401,161	151,941,585	6,172,266,185
JULY	2021/2022	21,669,287	0	21,669,287	6,193,935,472
August	2021/2022	42,098,241	64,297,772	(22,199,531)	6,171,735,941
September	2021/2022	259,172,576	63,263,822	195,908,755	6,367,644,696
October	2021/2022	48,351,096	111,423,799	(63,072,703)	6,304,571,993
November	2021/2022	110,851,519	83,388,059	27,463,459	6,332,035,452
December	2021/2022	84,677,927	55,324,308	29,353,619	6,361,389,071
January	2021/2022	118,028,544	44,427,139	73,601,405	6,434,990,476
February	2021/2022	61,469,951	63,461,181	(1,991,231)	6,432,999,245
March	2021/2022	26,504,419	62,205,456	(35,701,037)	6,397,298,208
April	2021/2022	81,667,666	39,494,146	42,173,519	6,439,471,727
May	2021/2022	54,916,144	31,644,184	23,271,960	6,462,743,688
June	2021/2022	138,524,086	116,678,069	21,846,017	6,484,589,705
		11,953,356,128	5,468,766,423	6,484,589,705	

Annex 4: Certificate of Balances



July 15, 2022

CERTIFICATE OF BALANCES

Customer : 120373 THE NATIONAL TREASURY
 Balance
 Date: 30-Jun-22

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

Eze
 Evelyn Moegi (Mrs)
 Authorised Signatory
 Banking Services Division

J. Nasieku
 Joyce Nasieku
 Authorised Signatory
 Banking Services Division