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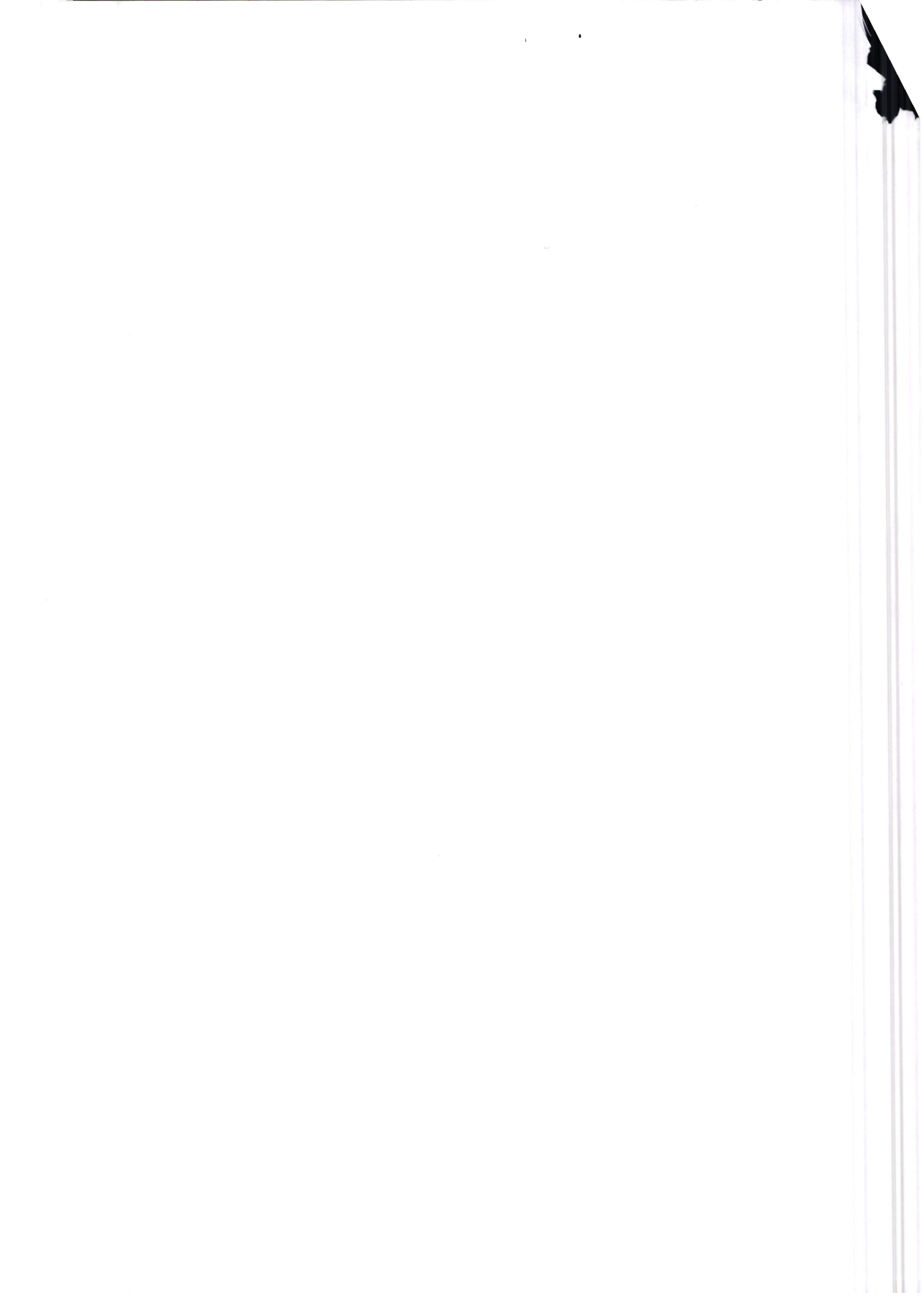
THE NATIONAL ASSEMBLY PAPERS LAID	
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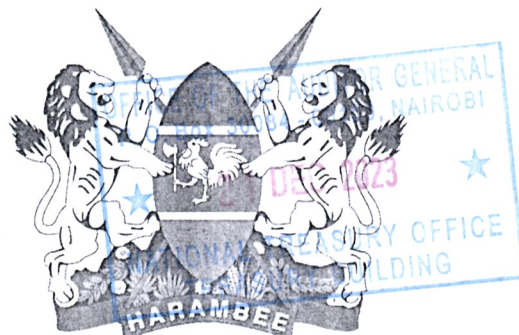
THE AUDITOR-GENERAL

ON

THE NATIONAL TREASURY

FOR THE YEAR ENDED  
30 JUNE, 2023





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**THE NATIONAL TREASURY  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>th</sup> JUNE 2023**

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

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

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<b>Table of Contents</b>	<b>Page</b>
1. Acronyms And Glossary Of Terms .....	ii
2. National Treasury Information And Management.....	iii
3. Statement Of Governance.....	x
4. Statement By The Cabinet Secretary .....	xii
5. Statement By The Principal Secretary .....	xvi
6. Statement Of Performance Against Predetermined Objectives For The Fy 2022/23 .....	xxiii
7. Management Discussion And Analysis .....	xxvi
8. Environmental And Sustainability Reporting.....	xxxiv
9. Statement Of Management Responsibilities.....	xxxvi
10. Report Of The Independent Auditors Of The Financial Statements For The National Treasury.....	xxxvii
11. Statement Of Receipts And Payments For The Year Ended 30 <sup>th</sup> June 2023.....	1
12. Statement Of Financial Assets And Financial Liabilities As At 30 <sup>th</sup> June 2023 .....	2
13. Statement Of Cash Flows For The Year Ended 30 <sup>th</sup> June 2023 .....	3
14. Statement Of Comparison Of Budget And Actual Amounts For Fy 2022/2023.....	5
15. Notes To The Financial Statements.....	12
16. Annexes.....	41

## 1. ACRONYMS AND GLOSSARY OF TERMS

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

## **2. NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

The National Treasury was established via the Executive Order No. 1 of 2023. The basis for establishment of the National Treasury is found in Article 225 (i) of the Constitution of Kenya which states that an Act of Parliament shall provide for the establishment, functions and responsibilities of the National Treasury. This has been actualized in Section 11 and 12 of the Public Finance Management (PFM) Act 2012.

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

### **Vision**

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

### **Mission**

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

### **Core Values**

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

### **Mandate of the National Treasury**

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Order No.1 of 2023. The National Treasury will be executing its mandate in consistency with any other legislation as may be developed or reviewed by Parliament from time to time.

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

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

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

### **Role of the National Treasury in the Devolved System of Government**

The National Treasury is mandated by law to:

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

#### **(b) Key Management**

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

#### **Office of the Principal Secretary**

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

#### **Organizational structure of the National Treasury**

The National Treasury is organized into five (5) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the National Treasury has two independent departments namely Public Procurement and Internal Auditor General, headed by Directors and a Public Finance Management Secretariat headed by a Programme Coordinator. The Directorates and Departments are as follows:

#### **Directorate of Budget, Fiscal and Economic Affairs**

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

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

### **Directorate of Accounting Services and Quality Assurance**

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

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

### **Directorate of Public Investment and Portfolio Management**

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

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

### **Directorate of Public Debt Management Office**

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

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

### **Directorate of Public Private Partnership**

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

### **Directorate of Administrative and Support Services (Common Shared Services)**

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

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

**(d) Fiduciary Management**

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

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

**(e) Fiduciary Oversight Arrangements**

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

**(i) Audit Committees**

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

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

**(ii) Public Finance Management Committees**

**Budget Implementation Steering Committee**

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

**Budget Implementation Technical Committee**

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

**Budget Implementation Ministerial Committee**

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

**(iii) Senior Management Committee**

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

**(iv) Other oversight activities**

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

**Project Implementation Committee**

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

**Parliamentary Activities**

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

**Development Partner Oversight**

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

**Public Financial Management Sector Working Group**

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

**Monitoring and Evaluation**

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

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

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**The National Treasury Headquarters**

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Treasury Building,  
Harambee, Avenue  
**NAIROBI, KENYA**

**The National Treasury Contacts**

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Email: [Communication@treasury.go.ke](mailto:Communication@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**The National Treasury Bankers**

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

**Independent Auditors**

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

**Principal Legal Adviser**

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

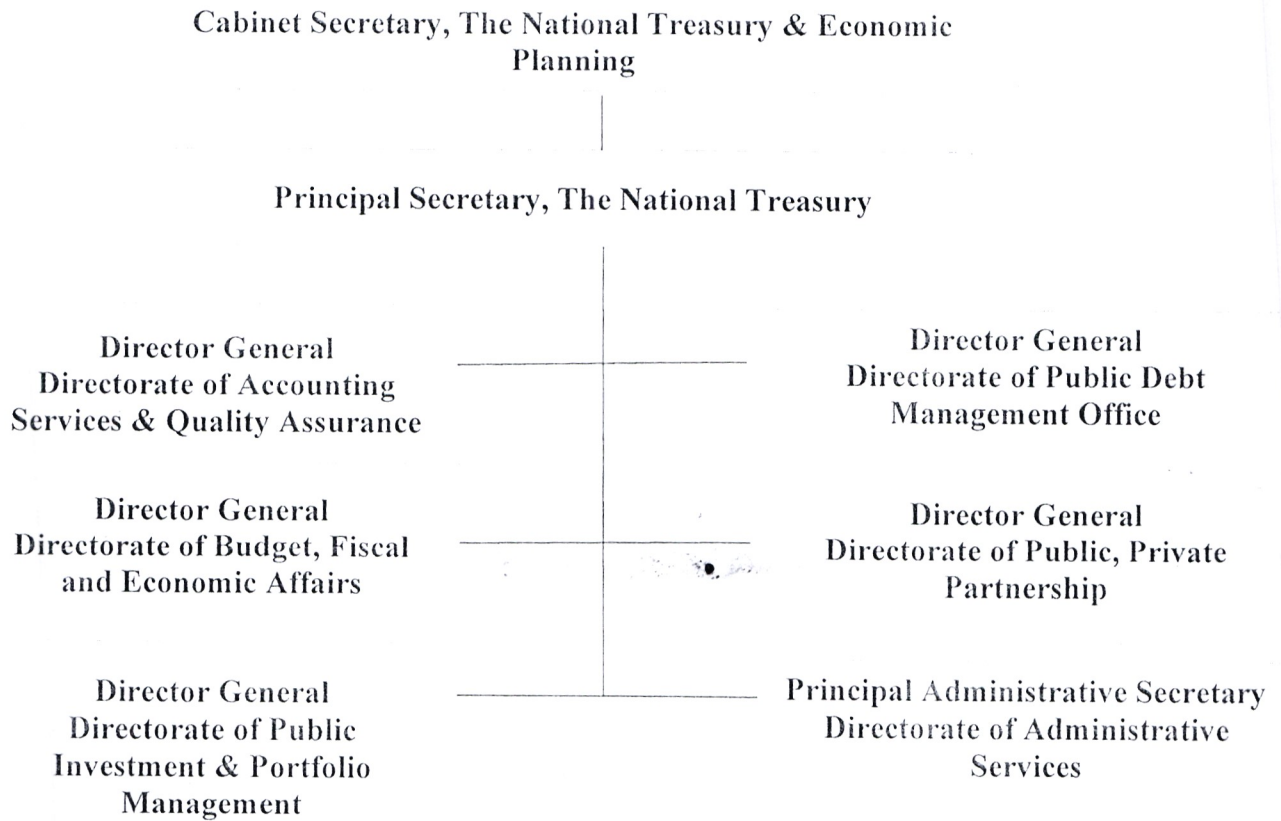
### 3. STATEMENT OF GOVERNANCE

#### (i) Brief of Key Leadership Structure

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

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

#### The National Treasury Leadership Structure



#### (ii) Management Committees Established and Their Roles

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

**Top Management Committee**

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

**(iii) The Audit Committee**

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

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

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

**(iv) Risk Management, compliance, conflict of interest**

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

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

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

**(vi) Public participation activities**

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

**(vii) Compliance with laws and regulations**

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

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

#### 4. STATEMENT BY THE CABINET SECRETARY

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

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

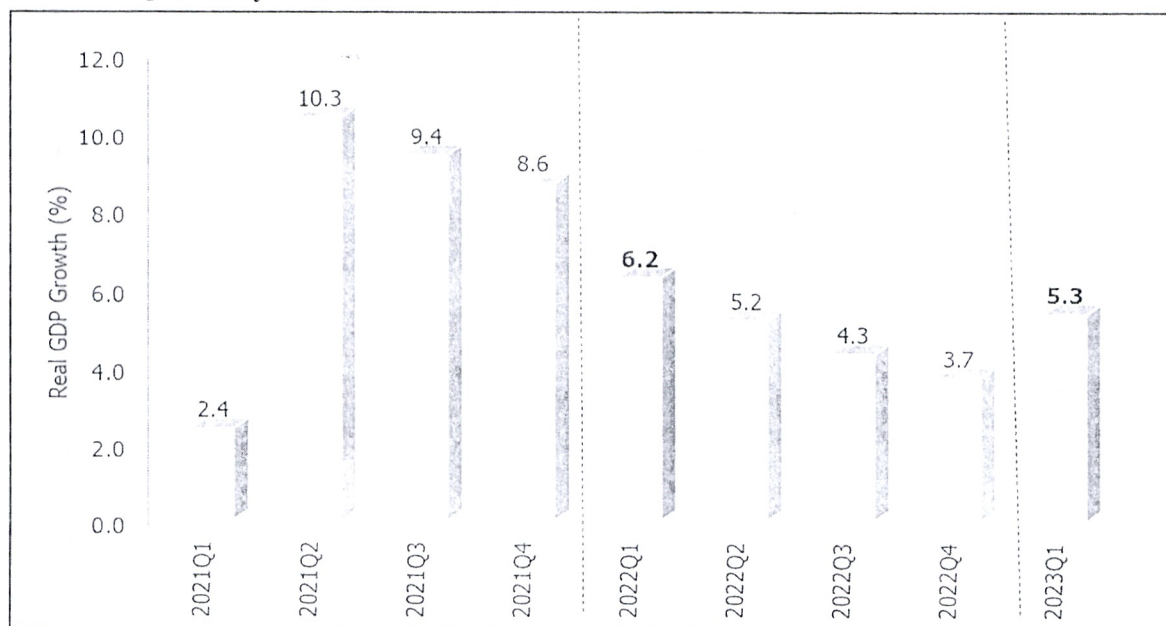
This was occasioned by external shocks including supply chain problems and prolonged Covid-19 impacts in the global arena; climate change occasioning the worst drought in 40 years and the ongoing Russia – Ukraine conflict.

##### **Economic Growth**

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

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

**Chart 1: Quarterly Real GDP Growth Rates**



Source of Data: Kenya National Bureau of Statistics

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

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

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

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

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

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

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

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

The Government undertook reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

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

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

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

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

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

### **Inflation**

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

### **Interest Rates**

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

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

### **Exchange Rates**

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

## THE NATIONAL TREASURY

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

### **Pending Bills**

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

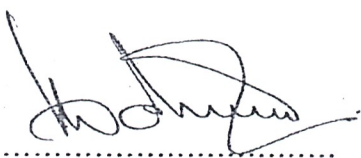
The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses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

### **Bottom-Up Economic Transformation Agenda (BETA)**

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

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

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

Signature.....

Date 25-09-2023.....

NJUGUNA NDUNG'U, CBS

CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

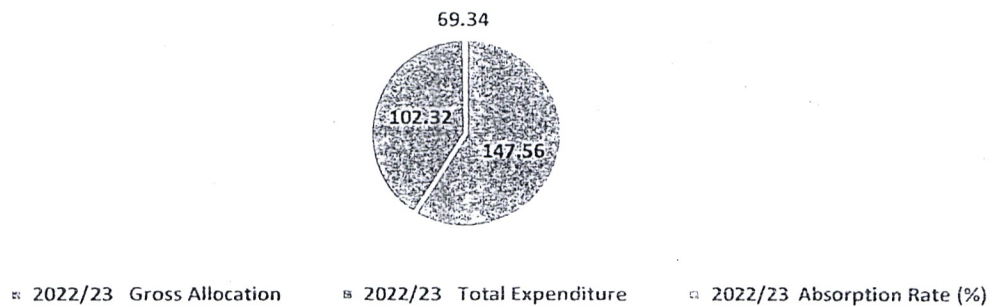
5. STATEMENT BY THE PRINCIPAL SECRETARY

**Budget performance**

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

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

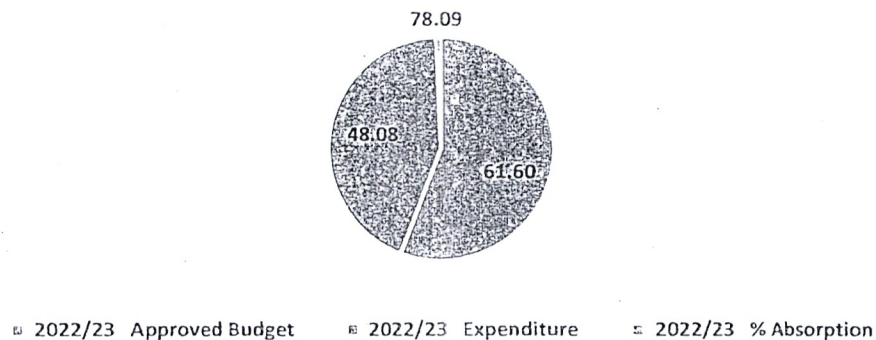
**Budget execution recurrent and development**



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

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

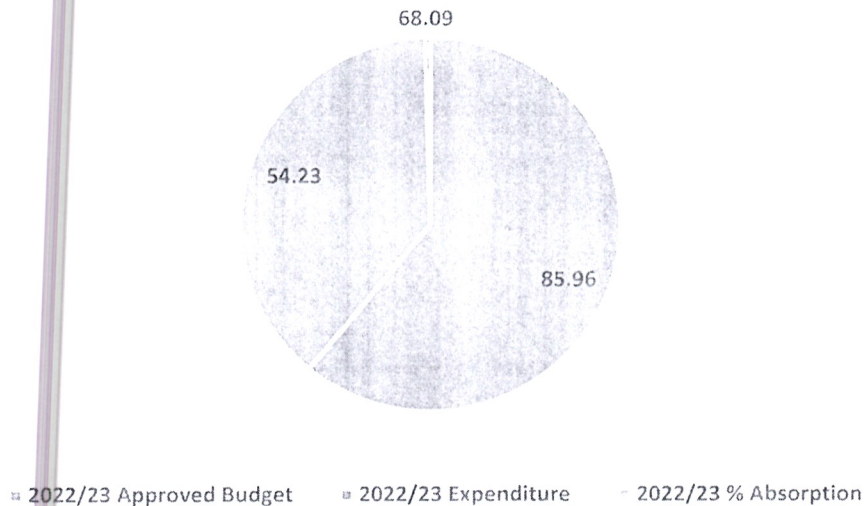
**Recurrent budget outturn- FY 2022/23**



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

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

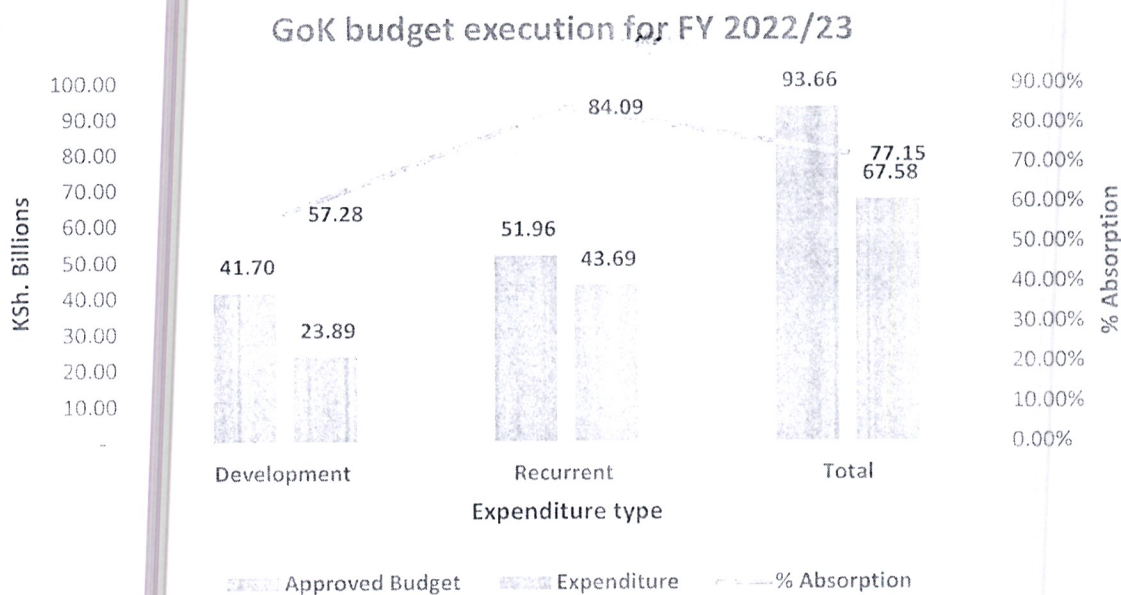
Development budget outturn- FY 2022/23



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

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

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

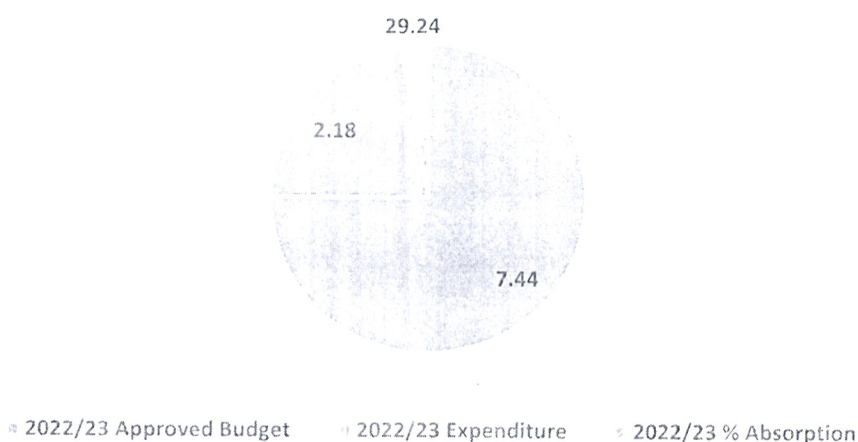


**Budget execution for externally funded resources for FY 2022/23**

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

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

**Budget execution for externally funded projects**

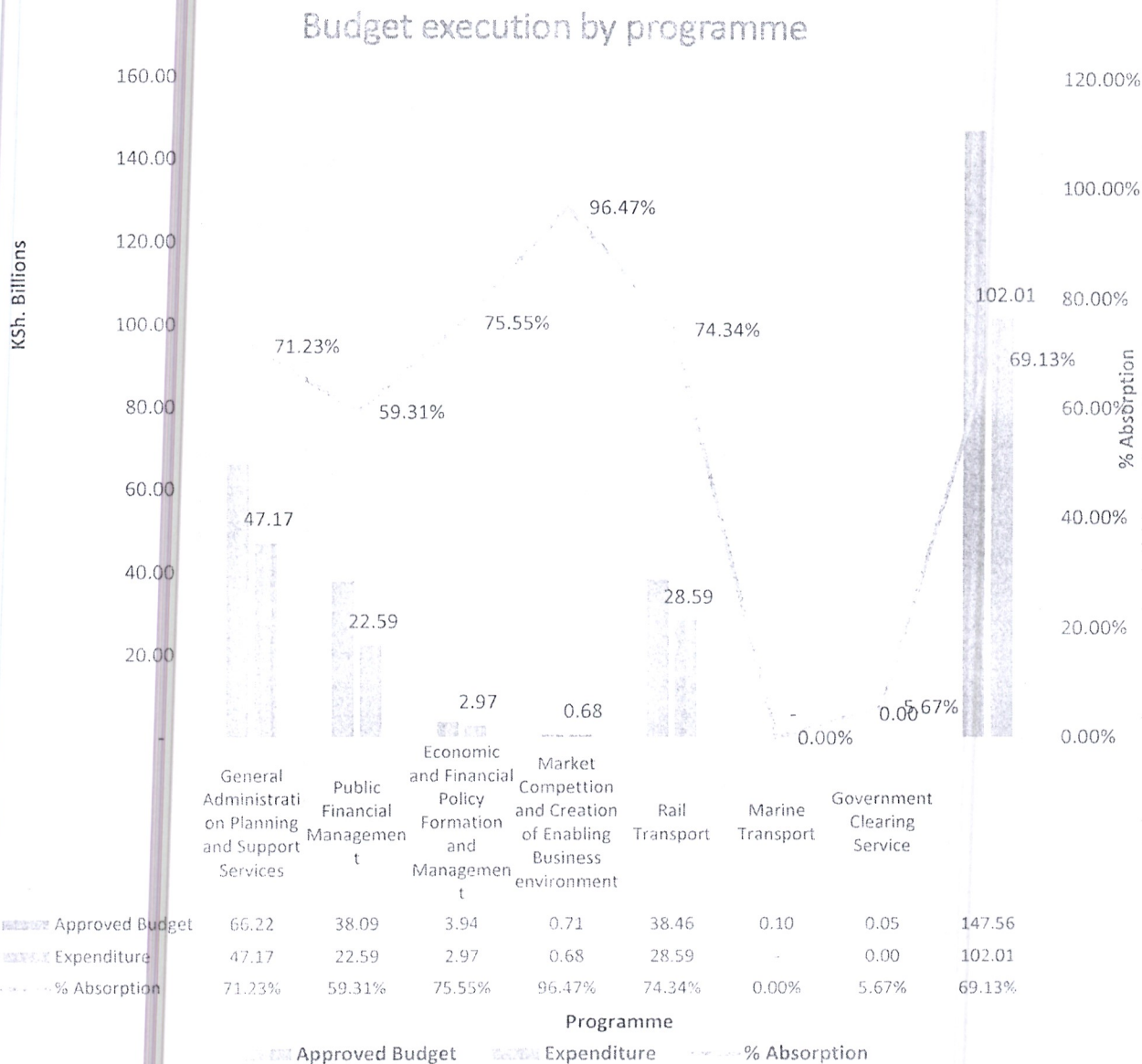


**Budget Execution by Programmes**

The National Treasury implemented the 2022/23 budget within seven economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; Market Competition and Creation of an Enabling Business Environment; Government Clearing Services; Rail Transport; and Marine Transport. The latter three programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services in the FY 2021/22. These three programmes have since been transferred back to the Ministry of Transport and Infrastructure and will no longer be under the National Treasury reporting in the FY 2023/24.

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

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



### Key Achievements

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

- Under General Administration, Planning and Support Services programme**, the National Treasury leased 4,023 security vehicles for the National Police Service towards enhancing security;
- Under the Public Financial Management programme**, the National Treasury mobilized a total of KSh. 22.6 billion worth of private capital under Public Private Partnerships; mobilized KSh. 8.8 billion under the Global Fund towards treatment of HIV, TB and Malaria, registered 29,435 AGPO Enterprises; and digitized an additional 4,687 government services; and conducted 269 Value for Money Audits;

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

### **Emerging Issues**

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

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

### **Challenges**

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

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

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

## THE NATIONAL TREASURY

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

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

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

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

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

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

#### Recommendations

- (i) There is need for increasing allocation to the National Treasury to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 Economic Recovery Strategy and emerging Government priorities;
- (ii) Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- (iii) Continued sustained implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- (iv) Strengthening Monitoring and Evaluation Framework and capacity;
- (v) Continued leveraging on ICT to ensure timely delivery of targets; and,
- (vi) Implementing the project rationalization to achieve optimal project portfolio and increase fiscal space.

THE NATIONAL TREASURY

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

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

Signature ..... 

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/THE NATIONAL TREASURY

Date ..... 25/9/23

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

**Introduction**

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

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

**Progress on Attainment of Strategic Development Objectives**

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

**Table 1: Performance against Predetermined Objectives for 2022/23**

MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
General Administration, Planning and Support Services.	To enhance institutional and human resource capacity for quality delivery of services	Efficient and effective service delivery	No. of vehicles leased	In FY 2022/23, 4.023 security vehicles were leased for the National Police Service towards enhancing security against a target of 3.477	Target surpassed
			Ordinary revenue as a percentage of GDP	In FY 2022/23 the ordinary revenue as a percentage of GDP collected was 16% against a target of 17.1%	Target was not achieved
			% level of compliance to PSSS	100%	The eligible public servants were on boarded in real time
			No. of Pension claims processed	Pensions claims were processed within 60 days of submission.	Target achieved
Public Financial Management	To increase the reliability, stability and soundness of the financial sector	Increased reliability and soundness of the financial sector	Annual National Budget presented to Parliament by 30th April 2023	1 achieved against a target of 1	Budget presented to parliament.
			No. of Published External Public Debt Stock & Register on the TNT website	1 External Public Debt Stock & Register on the TNT website published against a target of 1	Target achieved and published in the website
			No. of benchmark bonds issued	12 bonds issued against a target of 12	Target achieved. benchmark bonds are determined by the issuer to create liquidity and have established to attract more liquidity over time than other bonds

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
			% Of mature serviceable public debt serviced	100% mature serviceable public debt serviced achieved against a target of 100%	Target achieved
			No. of Audit Committees Capacity Built.	31 Audit Committees Capacity Built	Target achieved
			Amount mobilized in KSh. (Billion)	A total of KSh. 22.6 billion worth of private capital was mobilized following private sector investments against a target of 50 billion	Target was not achieved
			No. of People receiving ACT (Millions)	6 Million doses of ACT treatment were issued in the FY 2022/23.	The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are issued to facilities.
			No. of Registered AGPO Enterprises	Registered 29,435 AGPO Enterprises against a target of 20,000	Over achievement is due to stabilization of system uptime and deployment of staff at Huduma Center to assist in enterprise registration
			No. of additional Government Payments Digitized	4687 additional Government payments digitized from 397 as at June 2022	Target surpassed
			No of Annual Borrowing Plans	1 annual borrowing plan achieved against a target of 1	Annual borrowing plan developed
			No. of Strategies	1 Medium Term debt strategy developed medium strategy against a target of 1	Target achieved
			No. of Government Entities capacity built on IRMF	26 Government Entities capacity built on Institutional Risk Management Framework (IRMF)	Target achieved
			No. of VFM Audits reports	Conducted 269 Value for Money Audits. Target surpassed due to increased requests	Target achieved
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Inflation rate (%)	7.9% against a policy range target of 5 +-2.5.	Target was out of policy range due to higher food and fuel prices
			Months of import cover	4.5 months of import cover against a target of 5.8	Target not met due to high demand for foreign exchange
			% of fiscal deficit	(5.7) % of GDP against the target of 6.3%	Target surpassed due to fiscal

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

MDA Program	Strategic Objective	Outcome	Indicator	Performance	Comments
					consolidation initiatives such as budget rationalization in the second Quarter
			No. of Guidelines and regulations prepared	1 Nairobi International Financial Centre (NIFC) Guidelines and regulations prepared against a target of 1	Target achieved
			No. of legal frameworks developed	1 Legislative framework for NIFC and financial services sector developed against a target of 1	Target achieved
			No. of counties with CCF	7 Counties have established their Climate Change Fund (CCF)	Remaining Counties to be targeted in the FY 2023/24
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2023 & Division of Revenue Bill (DORB) 2023.	Target achieved in 2nd quarter
			No. of Clients accessing Agricultural Finance Corporation (AFC) loans	A total of 197,960 client outreach was achieved in both wholesale and retail lending	The AFC client outreach was achieved against a target of 196,616
			Loan amount issued to clients in KSh. millions	KSh. 4.112 Million Loan issued to clients	The corporation achieved against a target of KSh. 4,000 Million
			Loan repayments as % of disbursements	82% loan repayments was achieved against a target of 85% of disbursements	AFC will strive to collect the balance of 18% of disbursements in the FY 2023/24
			Public Debt at ≤ KSh. 10 trillion	KSh. 9.2 Trillion. Target within the ceiling	Target within the ceiling
			% of Government imports/exports cleared within 9 days at the ports and 2 days at the airports	100%	Target achieved
Market Competition and Creation of an Enabling Business Environment	To promote and sustain competition	Sustained high productivity and competitive markets	% of Merger and acquisitions applications determined	100% merger and acquisitions applications determined	Target achieved
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection guidelines	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline	Target achieved
			Cases concluded as a % of total investigations	83% cases concluded against a target of 95%	Target not achieved due to delay in release of resources
			% of cases on restrictive trade practices investigated and finalized	60% cases on restrictive trade practices investigated and finalized	Target achieved
			% of Appeals on Competition Determined	100% appeals on competition determined achieved	Target achieved

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

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

#### Operational Performance

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

#### Performance Contract Management

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

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

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

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

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

#### Effectiveness in implementation of Strategic Plan 2018-2023

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

Effectiveness measures considered achievement of planned outcomes and outputs against set targets. In this regard the National Treasury achieved overall effectiveness level of 73%

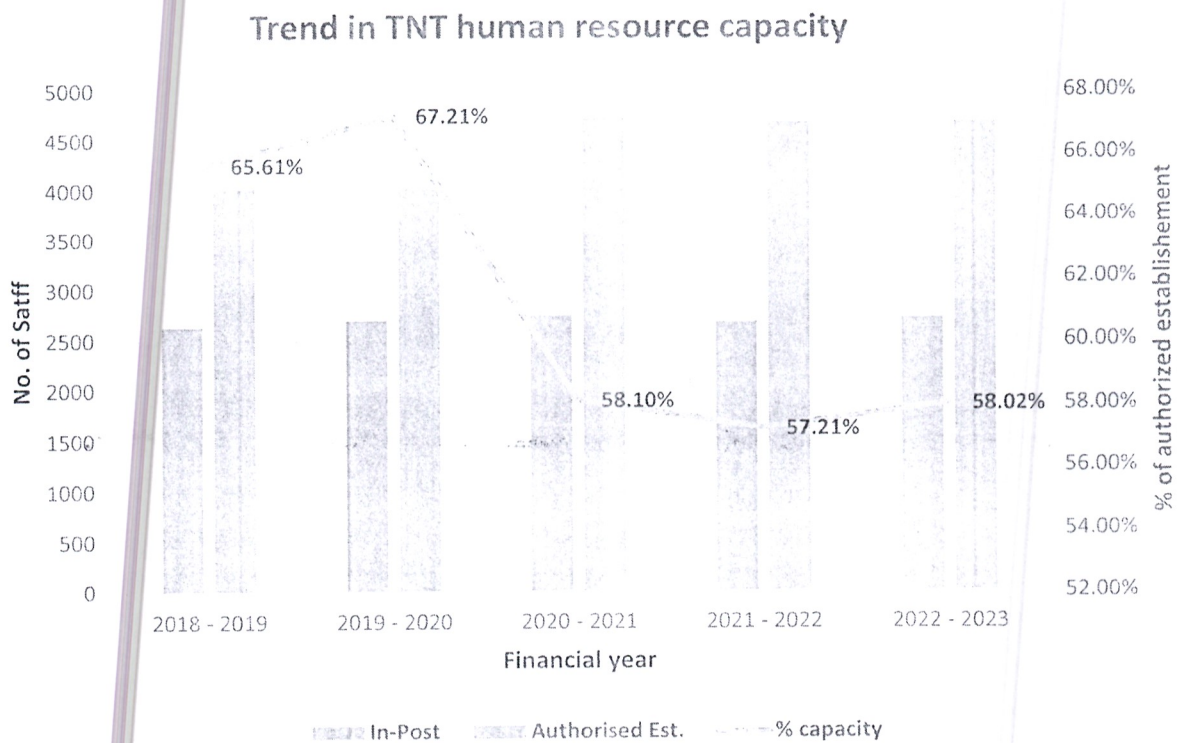
implementation of the objectives under the four KRAs. On the Key Result Areas, the National Treasury recorded the following level of effectiveness: Stable and sustainable

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

**Human Resource Staff Capacity**

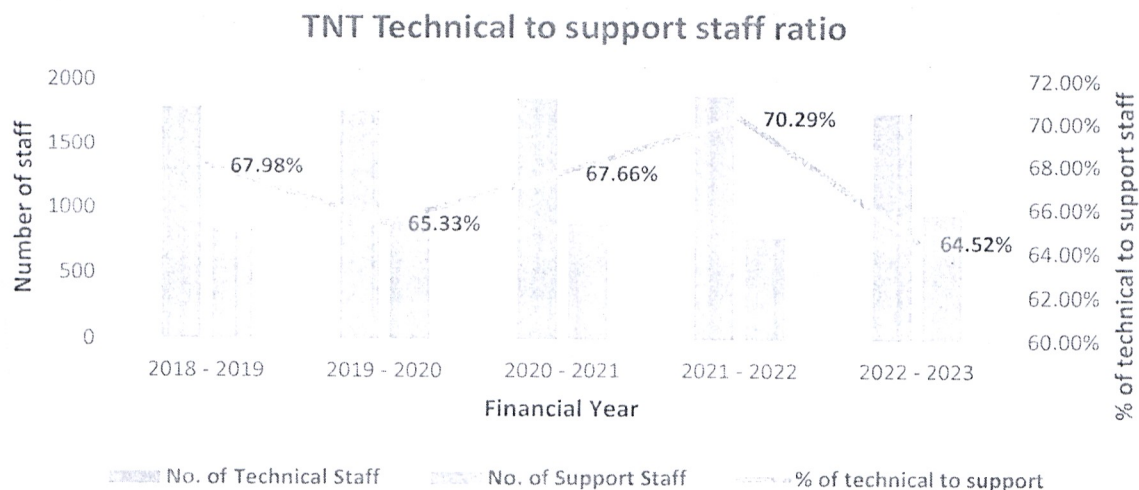
Human resource capacity is a component of operational efficiency in the National Treasury. In this regard, the National Treasury currently operates at 58 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 65.6 per cent in 2018/19. The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

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



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

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



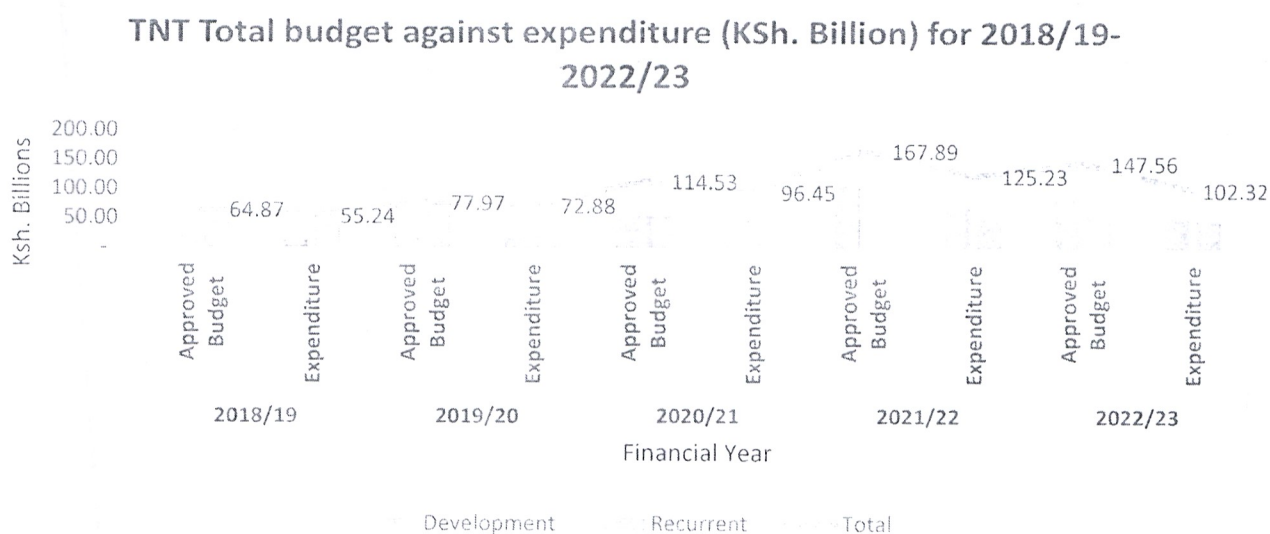
**Financial Performance**

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

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

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

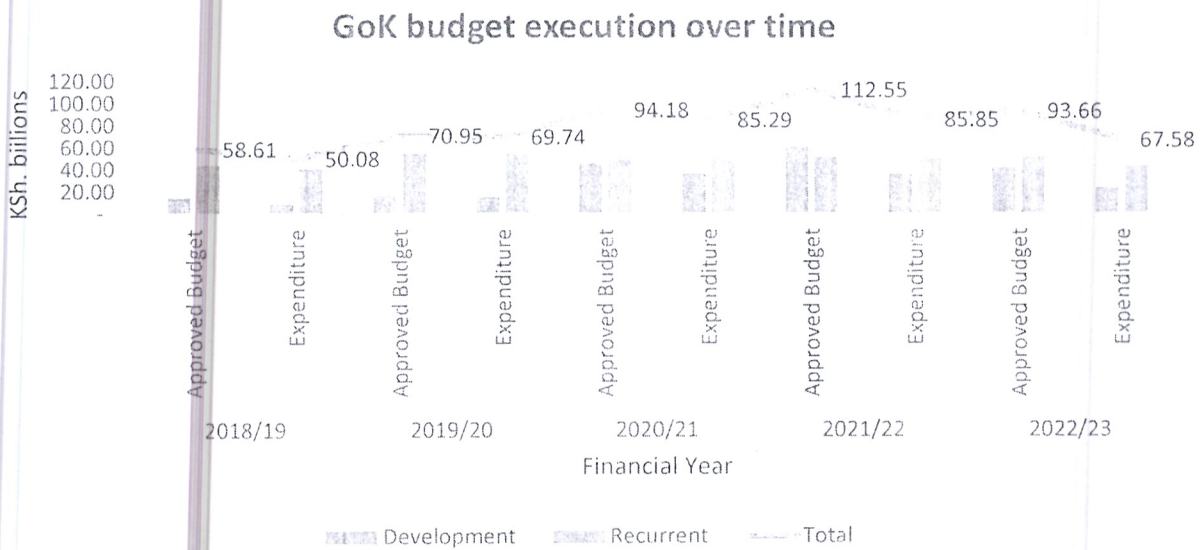
Chart 10: The National Treasury total budget against expenditure for 2018/19- 2022/23 (KSh. Billions)



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

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

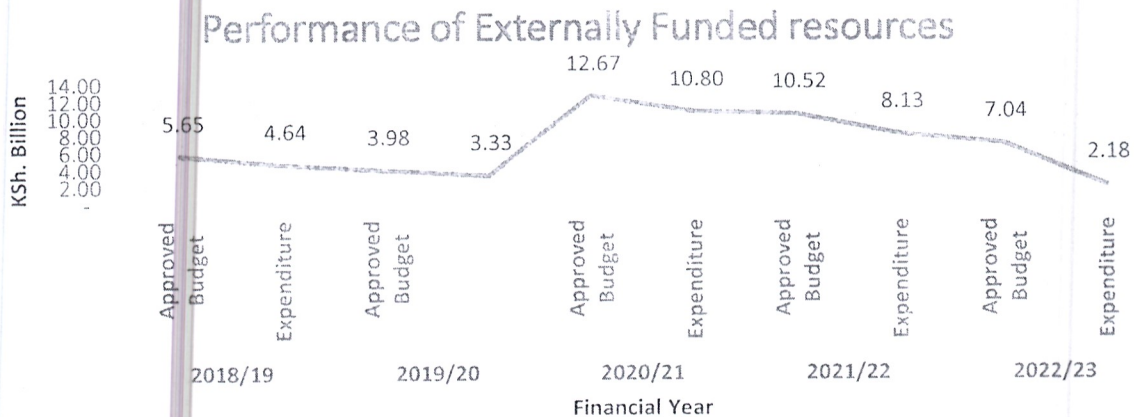
**Chart 11: Performance of GoK funded resources for the period 2018/19-2022/23 (KSh. Billions)**



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

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

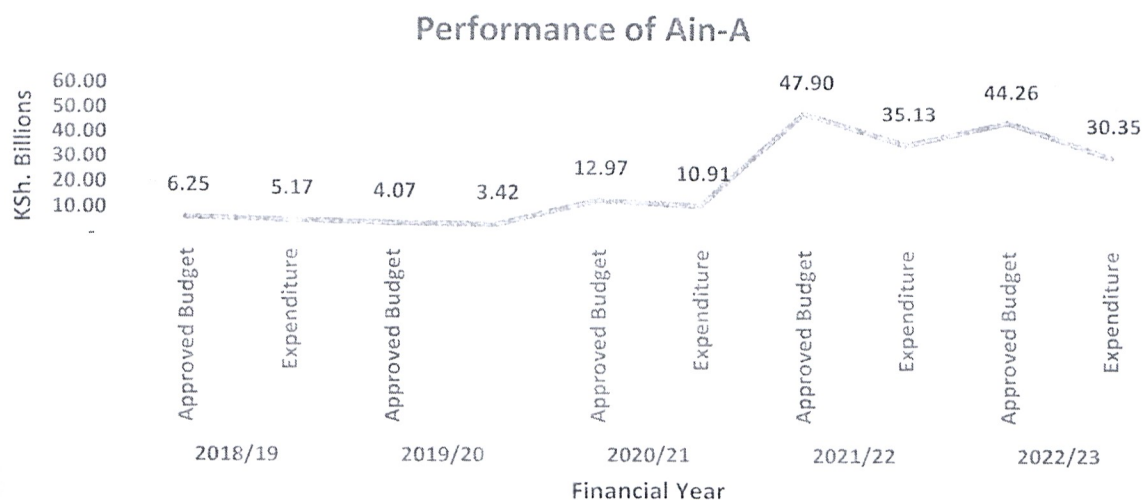
**Chart 12: the performance of externally funded resources for the period 2018/19-2022/23(KSh.Billions)**



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

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

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



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

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

**Table 3: Key projects implemented by the National Treasury**

S/No.	Project Name	Project Timelines			Estimated Cost of the Project (KSh. Millions)						
					Total Project Cost (a)	Foreign	GoK	Total Allocations to Date	Actual cumulative Expenditure (As of 30 <sup>th</sup> June 2022/23 (b))	Outstanding Balance as of 30 <sup>th</sup> June 2022/23 (a-b)	Project Completion Rate as of 30 <sup>th</sup> June 2022/23
1.	Project Code & Title	Start Date	End Date	% of Time Elapsed	Total Project Cost (a)	Foreign	GoK	Total Allocations to Date	Actual cumulative Expenditure (As of 30 <sup>th</sup> June 2022/23 (b))	Outstanding Balance as of 30 <sup>th</sup> June 2022/23 (a-b)	Project Completion Rate as of 30 <sup>th</sup> June 2022/23
2.	Credit Guarantee Scheme	8/12/2020	Continuous	20%	10,000.00	0	10,000.00	3,000	830.3	9,169.70	8.3%
3.	Kenya Electronic Single Window System	9/11/2012	Continuous	80%	8,830.00	330	8,500	8,300	8,300	530.00	100% for the legacy TradeNet system and 71% for the upgrade (TFP)
4.	Implementation of the e-procurement system for the	5/1/2022	5/1/2026	25%	5,000.00	0	5,000	942.19	22	4,978.00	25%

*The National Treasury*

*Annual Report and Financial Statements for the year ended 30th June 2023*

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

**Future Developments and other information**

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

**Stable and sustainable macroeconomic environment**

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

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

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

#### **Resource mobilization for financing public expenditure**

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

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

#### **Development Planning, budgeting and intergovernmental relations**

This Key Result area aims to undertake the following:

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

### **Institutional Efficiency and Effectiveness**

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

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

## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

### **Sustainability Strategy and Profile**

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

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

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

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

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

### **Environmental performance/climate change/mitigation of natural Disaster**

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

### **Employee welfare**

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

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

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

### **Operational Practices/Market place practices**

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

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

### **Community Engagements**

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

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

## 9. STATEMENT OF 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 the 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 by the Public Sector Accounting Standards Board of Kenya from time to time.


The Accounting Officer in charge of the National Treasury is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the National Treasury for and as at the end of the financial year ended on June 30<sup>th</sup>, 2023. The responsibilities include: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the National Treasury (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the National Treasury accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30<sup>th</sup>, 2023, 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 National Treasury, 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 National Treasury has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the National Treasury'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 financial statements were approved and signed by the Accounting Officer on 30/9/ 2023.



.....  
DR. CHRIS KIPTOO, CBS  
PRINCIPAL SECRETARY  
THE NATION TREASURY



.....  
GEORGE K. GICHURU  
Head of Accounting Unit  
ICPAK M/NO.9262

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## **REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL TREASURY FOR THE YEAR ENDED 30 JUNE, 2023**

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### **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 The National Treasury set out on pages 1 to 40, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory

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*Report of the Auditor-General on The National Treasury for the year ended 30 June, 2023*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The National Treasury as at 30 June, 2023, 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**

#### **1. Long Outstanding Salary Advances**

The statement of financial assets and financial liabilities reflects accounts receivables-outstanding imprest and clearance account balance of Kshs.1,795,512,222 which as disclosed in Note 13 to the financial statements includes salary advances amounting to Kshs.605,548 out of which advances totaling Kshs.241,267 were outstanding from the financial year 2019/2020 and earlier years and for which no recoveries have been made.

In the circumstances, the recoverability of salary advances amounting to Kshs.241,267 could not be confirmed.

#### **2. Loans to Kenya Airways Limited**

The statement of receipts and payments reflects transfers to other government units amounting to Kshs.77,939,079,780 which as disclosed in Note 8 to the financial statements includes capital grants to Government agencies and other levels of Government amounting to Kshs.43,677,829,870 which further includes Kshs.10,000,000,000 transferred to Kenya Airways as on lent loan. This was in addition to other loan disbursements to the Company totalling to Kshs.31,270,000,000 remitted between 2019/2020 and 2021/2022 resulting to total loan amount of Kshs.41,270,000,000. However, review of documents and correspondences between The National Treasury and the entity revealed that the loans were disbursed before the loan agreements were signed.

Further, records available indicated that the loans issued had accrued interest and penalties totalling to Kshs.1,778,075,609 that remained outstanding as at 31 December, 2022 bringing the total accumulated loan to Kshs.43,048,075,609.

In addition, records at The National Treasury indicate that the Government paid an amount of Kshs.12,326,894,172 being foreign loan repayment of Kshs.10,635,604,751 and finance costs of Kshs.1,691,289,421 out of which Kshs. 7,812,582,663 was made under Article 223 of the Constitution of Kenya 2010. The amount was in respect to guaranteed debt to the Company with a foreign bank which was defaulted. As a result, the total outstanding amount due from Kenya Airways as at 30 June, 2023 stood at Kshs.55,374,969,781.

However, there was no evidence that The National Treasury had entered into any formal agreement with Kenya Airways on how the guaranteed loan repayments amounting to Kshs.12,326,894,172 would be recovered and whether the Airline had provided any security to the Government as a fall back.

In the circumstances, the completeness and recoverability of the loans to Kenya Airways Limited amounting to Kshs.55,374,969,781 could not be confirmed.

### **3. Unapproved Expenditure on Purchase of Shares**

The statement of receipts and payments reflects other payments amounting to Kshs.6,196,584,631 and as disclosed in Note 14 to the financial statements. Review of supporting documents indicated that the expenditure was in respect of acquisition of sixty percent (60%) shareholding of Telkom Kenya. The expenditure was incurred under Article 223 of the Constitution. Although, The National Treasury submitted the expenditure for approval by the National Assembly as part of the supplementary budget as required by Section 44 (1) of the Public Finance Management Act, 2012, which states that the national government shall submit to parliament for approval a supplementary budget in support of money spent under Article 223 of the Constitution, the expenditure was not approved by the National Assembly.

In the circumstances, the propriety of the expenditure amounting to Kshs.6,196,584,631 could not be confirmed.

### **4. Failure to Account for Promotional Materials**

The statement of receipts and payments reflects expenditure on use of goods and services of Kshs.21,059,164,752 which, as disclosed in Note 7 to the financial statements includes other operating expenses amounting to Kshs.11,693,496,291 which further includes part payment of Kshs.29,488,477 towards a contract for provision of co-location services for e-Citizen platform. Review of documents revealed that the contract was awarded to a supplier for a period of three years from 1 July, 2020 to 30 June, 2023 renewable annually upon satisfactory performance at a contract sum of Kshs.82,973,520.

The contract provided for enrolment in the company's loyalty program and the company was to deliver promotional items to The National Treasury. Records available indicate that the company delivered 92 and 75 phones in the first and second year respectively. However, stores record including counter receipt vouchers (S13) for the items were not provided for audit. It was therefore not clear how the promotional materials were accounted for.

In the circumstances, the effectiveness of internal controls on management of inventories could not be confirmed.

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

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis of Kshs.147,563,195,247 and Kshs.119,819,891,866 respectively resulting to an under-funding of Kshs.27,743,303,381 or 19% of the budget. Similarly, The National Treasury spent a total of Kshs.119,813,740,169 against an approved budget of Kshs.147,563,195,246 resulting to an under-expenditure of Kshs.27,749,455,077 or 19% of the budget.

The overfunding and the underperformance affected the planned activities of The National Treasury and may have impacted negatively on service delivery to the public.

### **2. Pending Accounts Payable**

Note 21.2 to the financial statements reflects pending accounts payable balance of Kshs.7,703,536,902 owed to various suppliers that had not been paid at the close of the year. Review of pending accounts payable revealed that Kshs.3,980,185 of the pending accounts payable relate to 2019/2020 financial year. Management has indicated that the non-payment of the bills was due to lack of exchequer issues and budget cuts after commitments had been made. Further, records of IEBC reflect balances of Kshs.11,160,000 and Kshs.26,193,000 in respect of ECK accounts receivables and ECK car loan receivables respectively, which have been outstanding since 2008. The amounts relate to imprests and salary advances held by staff and outstanding car loans to commissioners of the defunct Electoral Commission of Kenya. The funds were recovered from their final dues but retained by The National Treasury. However, the retained amounts were not included as pending payable to IEBC.

Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of these matters.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Wasteful /Avoidable Expenditure on Court Award**

The statement of receipts and payments reflects expenditure on transfer to other government units amounting to Kshs.77,931,484,404 which, as disclosed in Note 8 to the financial statements includes expenditure on other capital grants and transfers of Kshs.3,788,556,493 which further includes an amount of Kshs.170,000,000 being part payment of decretal sum of Kshs.327,192,575 awarded to a firm under claim of High Court No. 182 of 2019. Review of the contract and related records including the court judgement revealed that the Ministry acknowledged owing an amount of Kshs.235,683,000 and as such judgement was made against it. An amount of Kshs.327,192,575 which included interest on Kshs.91,509,575 was awarded on 21 October, 2022. Had the Ministry paid the bill when it fell due, the interest charged of Kshs.91,509,575 and legal costs awarded of Kshs.5,765,160 would have been avoided. Further, delay in settlement of the bill subjects the Ministry to further interest charges.

In the circumstances, the value for money obtained from the payment of interest and legal costs of Kshs.97,274,735 could not be confirmed.

### **2. Non-Compliance with the One-Third of Basic Salary Rule**

During the year under review, one hundred and fifty- five (155) employees earned a net salary less than one-third ( $\frac{1}{3}$ ) of their basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not explained the failure to comply with the policy.

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

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 matters 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**

### **1. Lack of Fixed Assets Register**

Annex 4 to the financial statements reflects a summary of fixed assets register with a historical cost of Kshs.7,108,502,784. However, The National Treasury did not maintain an assets' register to support the assets contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

### **2. Failure to Dispose Obsolete Inventory**

Review of records and physical inspection of inventories held in the Ministry's stores revealed that Management held obsolete inventory relating to stationery, toners, motor vehicle tyres and other equipment. Further, some items have been held in the store since 2008 and no explanation was provided on why these items were not utilized or disposed as they have expired and are unusable. This is contrary to Regulations 168(c) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that an Accounting Officer of a procuring entity shall ensure proper management and distribution of inventory, stores and assets by ensuring that any inventory, stores and assets worn out in the course of public business are removed from the store's records through a disposal process.

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

## **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing The National Treasury's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate The National Treasury 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 National Treasury's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The National Treasury's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause The National Treasury to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of The National Treasury to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

29 January, 2024

**11. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	Note	2022/23	2021/2022
		Kshs	Kshs
<b>RECEIPTS</b>			
Tax Receipts	1	28,173,372,506	-
Exchequer Releases	2	72,951,394,245	85,799,492,852
Proceeds from Domestic and Foreign Grants	3	7,549,573,761	9,375,951,514
Proceeds from Foreign Borrowings	4	1,639,017,830	160,187,514
Other Receipts	5	9,506,533,524	31,079,205,812
<b>TOTAL REVENUES</b>		<b>119,819,891,866</b>	<b>126,414,837,692</b>
<b>PAYMENTS</b>			
Compensation of Employees	6	3,326,881,803	3,192,672,341
Use of goods and services	7	21,059,164,752	25,026,311,606
Transfers to Other Government Units	8	77,939,079,780	91,709,187,761
Other grants and transfers	9	4,389,587,284	4,234,853,899
Social Security Benefits	10	54,522,372	8,049,718
Acquisition of Assets	11	6,847,919,547	1,606,952,340
Other Payments	14	6,196,584,631	0
<b>TOTAL PAYMENTS</b>		<b>119,813,740,169</b>	<b>125,778,027,665</b>
<b>SURPLUS</b>		<b>6,151,697</b>	<b>636,810,027</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2023 and signed by:



Dr. Chris Kiptoo, CBS  
Principal Secretary

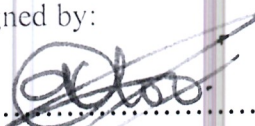


George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

12. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30<sup>TH</sup> JUNE 2023

	Note	2022/23	2021/2022
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12A	3,650,555,661	3,657,492,025
Cash Balances	12B	448,582	2,824,672
<b>Total Cash And Cash Equivalents</b>		<b>3,651,004,243</b>	<b>3,660,316,697</b>
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	1,795,512,222	1,790,939,597
<b>TOTAL FINANCIAL ASSETS</b>		<b>5,446,516,465</b>	<b>5,451,256,294</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables - Deposits	15	3,644,852,546	3,647,916,738
<b>NET FINANCIAL ASSETS</b>		<b>1,801,663,919</b>	<b>1,803,339,556</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	16	1,803,339,556	1,170,817,853
Surplus		6,151,697	636,810,027
Prior year adjustments	17	(7,827,334)	(4,288,324)
<b>NET FINANCIAL POSITION</b>		<b>1,801,663,919</b>	<b>1,803,339,556</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2023 and signed by:



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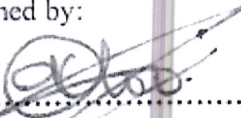
George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

**13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	Note	2022/23	2021/2022
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Receipts	1	28,173,372,506	-
Exchequer Releases	2	72,951,394,245	85,799,492,852
Proceeds from Domestic and Foreign Grants	3	7,549,573,761	9,375,951,514
Other Receipts	5	9,506,533,524	31,079,205,812
		<b>118,180,874,036</b>	<b>126,254,650,178</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	6	3,326,881,803	3,192,672,341
Use of goods and services	7	21,059,164,752	25,026,311,606
Transfers to Other Government Units	8	77,939,079,780	91,709,187,761
Other grants and transfers	9	4,389,587,284	4,234,853,899
Social Security Benefits	10	54,522,372	8,049,718
Other Payment	14	6,196,584,631	0
		<b>112,965,820,622</b>	<b>124,171,075,326</b>
<b>Adjusted for:</b>			
Changes in receivables	18	(4,572,625)	(625,284,626)
Changes in payables	19	(3,064,192)	49,080,259
Adjustments during the year	17	(7,827,334)	(4,288,324)
<b>Net cashflow from operating activities</b>		<b>5,199,589,263</b>	<b>1,503,082,162</b>

<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11	(6,847,919,547)	(1,606,952,339)
<b>Net cash flows from Investing Activities</b>		<b>(6,847,919,547)</b>	<b>(1,606,952,339)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	4	1,639,017,830	160,187,514
<b>Net cash flow from financing activities</b>		<b>1,639,017,830</b>	<b>160,187,514</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(9,312,454)</b>	<b>56,317,338</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>3,660,316,697</b>	<b>3,603,999,361</b>
<b>Cash and cash equivalent at END of the year</b>	<b>8</b>	<b>3,651,004,243</b>	<b>3,660,316,697</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2023 and signed by:



Dr. Chris Kiptoo, CBS  
Principal Secretary



George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

**13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FY 2022/2023**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	27,822,000,000	9,008,000,000	36,830,000,000	28,173,372,506	8,656,627,494	76%
Proceeds from Domestic & Foreign Grants	8,752,535,835	-1,716,071,492	7,036,464,343	7,549,573,761	-513,109,418	107%
Exchequer releases	127,542,547,097	-33,883,080,500	93,659,466,598	72,951,394,245	20,708,072,353	78%
Proceeds from Foreign Borrowings	2,843,020,000	-2,450,020,000	393,000,000	1,639,017,830	-1,246,017,830	417%
Other Receipts	7,436,814,306	2,207,450,000	9,644,264,306	9,506,533,524	137,730,782	99%
<b>Total Receipts</b>	<b>174,396,917,238</b>	<b>-26,833,721,992</b>	<b>147,563,195,247</b>	<b>119,819,891,866</b>	<b>27,743,303,381</b>	<b>81%</b>
<b>Payments</b>						
Compensation of Employees	3,781,051,699	-418,053,873	3,362,997,826	3,326,881,804	36,116,022	99%
Use of goods and services	26,308,961,558	-2,110,461,381	24,198,500,177	21,059,164,752	3,139,335,425	87%
Transfers to Other Government Units	131,760,835,330	-23,937,741,449	107,823,093,881	77,939,079,780	29,884,014,101	72%
Other Grants & transfers	4,417,514,306	24,500,000	4,442,014,306	4,389,587,284	52,427,022	99%
Social Security Benefits	54,007,485	8,932,000	62,939,485	54,522,372	8,417,113	87%
Acquisition of Assets	4,074,546,860	3,599,102,711	7,673,649,571	6,847,919,546	825,730,025	89%
Other Payments	4,000,000,000	-4,000,000,000	0	0	0	
Finance Costs (Telcom Kenya)				6,196,584,631	-6,196,584,631	100%
<b>Grand Total</b>	<b>174,396,917,238</b>	<b>-26,833,721,992</b>	<b>147,563,195,246</b>	<b>119,806,144,793</b>	<b>27,757,050,453</b>	<b>81%</b>
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6,151,697</b>	<b>-6,151,696</b>	

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

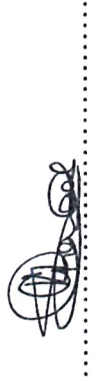
*Notes*

- (a) *Under collection in AIA - Delay in procurement of consultant services to develop a completion report of the project caused the under expenditure by the end of the financial year*
- (b) *Use of goods and services – The under payment was as a result of ordered goods and services not being received by the closure of financial year hence payment could not be made.*
- (c) *Acquisition of assets – the under expenditure was as a result of austerity, measures under taken to curtail spending on equipment and challenges in procurement process led to underutilization of funds allocated during the year.*
- (d) *Social Security Benefits – some of the officers who were expected to be due for gratuity payments during the year had their contracts extended.*
- (e) *Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- (f) *Proceeds from Foreign Borrowings – the signing of contracts with partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing*

The entity financial statements were approved on 30/9/2023 and signed by:

  
.....

Dr. Chris Kiptoo, CBS  
Principal Secretary

  
.....

George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

14 (a) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: RECURRENT FOR FY 2022/2023

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	e=a+b	d	e=d-c	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	46,408,271,607	5,552,373,585	51,960,645,193	42,921,979,824	9,038,665,369	83%
Other Receipts	7,436,814,306	2,207,450,000	9,644,264,306	9,506,533,524	145,326,158	98%
Total Receipts	53,845,085,913	7,759,823,585	61,604,909,498	52,428,513,348	9,183,991,526	85%
<b>PAYMENTS</b>						
Compensation of Employees	3,717,915,913	- 418,700,000	3,299,215,913	3,279,051,071	20,164,842	99%
Use of goods and services	15,971,945,813	- 463,160,522	15,508,785,291	13,799,602,947	1,709,182,344	89%
Transfers to Other Government Units	29,536,025,694	8,594,606,199	38,130,631,893	30,480,288,793	7,657,938,476	80%
Other grants and transfers	4,417,514,306	24,500,000	4,442,014,306	4,389,587,284	52,427,022	99%
Social Security Benefits	54,007,485	8,932,000	62,939,485	54,522,372	8,417,113	87%
Acquisition of Assets	147,676,702	13,645,908	161,322,610	74,070,494	87,252,116	46%
<b>Grand Total</b>	<b>53,845,085,913</b>	<b>7,759,823,585</b>	<b>61,604,909,498</b>	<b>52,077,122,961</b>	<b>9,535,381,913</b>	<b>85%</b>
Surplus/Deficit				351,390,387	-351,390,387	

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

*Notes*

- (a) Acquisition of assets – the under expenditure was as a result of austerity, measures under taken to curtail spending on equipment*
- (b) Social Security Benefits – some of the officers who were expected to be due for gratuity payments during the year had their contracts extended.*
- (c) Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- (d) Use of goods and services – The under payment was as a result of ordered goods and services not being received by the closure of financial year hence payment could not be made.*

*.....*

*Dr. Chris Kiptoo, CBS  
Principal Secretary*

The entity financial statements were approved on 30/9/2023 and signed by:

*.....*

*George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262*

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

**14 (b) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: DEVELOPMENT FOR FY 2022/2023**

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	27,822,000,000	9,008,000,000	36,830,000,000	28,173,372,506	8,656,627,494	76%
Proceeds from Domestic and Foreign Grants	8,752,535,835	(1,716,071,492)	7,036,464,343	7,549,573,761	-513,109,418	107%
Exchequer releases	81,134,275,490	(39,435,454,085)	41,698,821,405	30,029,414,421	11,669,406,984	72%
Proceeds from Foreign Borrowings	2,843,020,000	(2,450,020,000)	393,000,000	1,639,017,830	(1,246,017,830)	417%
<b>Total Receipts</b>	<b>120,551,831,325</b>	<b>(34,593,545,577)</b>	<b>85,958,285,748</b>	<b>67,391,378,518</b>	<b>18,566,378,518</b>	<b>78%</b>
<b>Payments</b>						
Compensation of Employees	63,135,786	646,127	63,781,913	47,830,733	15,951,180	75%
Use of goods and services	10,337,015,745	(1,647,300,859)	8,689,714,886	7,259,561,805	1,430,153,081	84%
Transfers to Other Government Units	102,224,809,636	(32,532,347,648)	69,692,461,988	47,458,790,987	22,233,671,001	68%
Acquisition of Assets	3,926,870,158	3,585,456,803	7,512,326,961	6,773,849,052	738,477,909	90%
Other Payments	4,000,000,000	(4,000,000,000)	-	0	0	0%
Telcom kenya				6,196,584,631	(6,196,584,631)	
<b>Grand Total</b>	<b>120,551,831,325</b>	<b>(34,593,545,577)</b>	<b>85,958,285,748</b>	<b>67,736,617,208</b>	<b>18,221,668,540</b>	<b>79%</b>
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(345,238,690)</b>	<b>345,238,690</b>	

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

- (a) Under collection in AIA -Delay in procurement of consultant services to develop a completion report of the project caused the under expenditure by the end of the financial year*
- (b) Use of goods and services – The under payment was as a result of ordered goods and services not being received by the closure of financial year hence payment could not be made.*
- (c) Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- (d) Proceeds from Foreign Borrowings – the signing of contracts with partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing*
- (e) Compensation of employees – Anticipated filling of all vacant post in the department following the approval of the structured staff establishment was not achieved*

The entity financial statements were approved on 30/9/2023 and signed by:

  
.....

Dr. Chris Kiptoo, CBS  
Principal Secretary

  
.....

George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

14 (c) BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR FY 2022/2023.

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2023			2023	
	Kshs			Kshs	Kshs
General Admin. Planning and support services	66,219,156,291		66,219,156,291	55,055,772,355	11,163,383,936
Public Financial Management	38,094,358,479		38,094,358,479	26,354,930,702	11,739,427,777
Economic & financial policy formulation and Mgt	3,936,665,498		3,936,665,498	2,931,871,053	1,004,794,445
Market Competition	707,515,000		707,515,000	682,515,000	25,000,000
Government Clearing Services	47,499,979		47,499,979	2,693,922	44,806,058
Rail Transport	38,458,000,000		38,458,000,000	28,589,372,506	9,868,627,494
Marine transport	100,000,000		100,000,000	0	100,000,000
Telcom Kenya				6,196,584,631	
<b>Total</b>	<b>147,563,195,247</b>		<b>147,563,195,247</b>	<b>119,813,740,169</b>	<b>33,946,039,710</b>

## **15. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of Compliance and Basis of Preparation**

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

### **2. Reporting Entity**

The financial statements are for The National Treasury. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:(See Annex 5)

### **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.

#### **Significant Accounting Policies**

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

#### **a) Recognition of Receipts**

The National Treasury recognises all receipts from the various sources when the event occurs, and the related cash has been received.

**Significant Accounting Policies (Continued)**

**(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 *entity*.

**(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 30<sup>th</sup> June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**(iii) miscellaneous receipts**

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

**b) Recognition of payments**

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

**i) Compensation of Employees**

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

**Significant Accounting Policies (Continued)**

**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.

**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. This summary is disclosed as an annexure to the financial statements.

**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 National Treasury 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.

**Significant Accounting Policies (Continued)**

**vii) Third Party Payments**

Included in the receipts and payments, are payments made on the entity's 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 or grants.

**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.

**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 and retentions. As of 30th June 2023, note 15. Amounted to Kshs 3,644,852,546 compared to Kshs 3,647,916,738 in prior period as indicated and 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 2022 for the period 1<sup>st</sup> July 2022 to 30<sup>th</sup> June 2023 as required by Law and there were a 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<sup>th</sup> June 2023.

**j) Prior Period Adjustment**

During the year, errors that have been corrected are disclosed under note 17 explaining the nature and amounts.

**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, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The National Treasury 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**

**1 Tax Receipts**

<b>Item Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Taxes on Goods and Services	28,173,372,506	Nil
<b>TOTAL</b>	<b>28,173,372,506</b>	<b>Nil</b>

**2 Exchequer Releases**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Exchequer Releases for quarter 1	24,906,802,069	18,314,377,976
Total Exchequer Releases for quarter 2	11,083,326,700	14,162,258,785
Total Exchequer Releases for quarter 3	16,817,656,141	20,400,122,854
Total Exchequer Releases for quarter 4	20,143,609,335	32,922,733,237
<b>TOTAL</b>	<b>72,951,394,245</b>	<b>85,799,492,852</b>

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

Notes to the Financial Statements (continued)

3 Proceeds from Domestic and Foreign Grants

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2022-2023	2021-2022
				Kshs	Kshs
Study and Capacity Building				10,540,168	15,827,126
Public Debt Management Project				11,937,500	0
Global Fund HIV/AIDS					3,763,454,034
Global Fund Malaria				0	750,690,460
Global Fund TB				0	514,596,306
Special Global Fund Malaria NFM3				495,945,360	143,665,670
Special Global Fund HIV NFM3				6,425,298,883	4,179,181,794
Special Global Fund TB NFM3				292,247,250	8,536,126
EA Regional Trans, Trade & Dev Fac. Project				204,880,000	0
Horn of Africa Dev. Project				5,193,000	0
N.T Capacity strengthening project				3,605,400	0
FLLOCA Program				99,926,200	0
<b>Total</b>				<b>7,549,573,761</b>	<b>9,375,951,514</b>

4 Proceeds from Foreign Borrowings

Item Description	2022-2023	2021-2022
	Kshs	Kshs
Foreign Borrowing - Direct Payments	1,639,017,830	160,187,514
<b>TOTAL</b>	<b>1,639,017,830</b>	<b>160,187,514</b>

Notes to the Financial Statements (continued)

**5 Other Receipts**

	2022-2023	2021-2022
	Kshs	Kshs
Administrative fees and charges collected as AIA	5,116,946,240	0
Current Grants from International NGOs collected as AIA (African Union and Other International Org. Subscription Fund)	4,389,587,284	4,234,853,899
SGR	-	26,844,351,913
<b>TOTAL</b>	<b>9,506,533,524</b>	<b>31,079,205,812</b>

**6 Compensation of Employees**

Item Description	2022-2023	2021-2022
	Kshs	Kshs
Basic salaries of permanent employees	2,034,853,057	1,652,229,155
Basic wages of temporary employees	102,388,630	122,414,914
Personal allowances paid as part of salary	1,189,640,116	1,418,028,272
<b>TOTAL</b>	<b>3,326,881,803</b>	<b>3,192,672,341</b>

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

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Notes to the Financial Statements (Continued)

7 Use of goods and services

<b>Item Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, Supplies and Services	142,084,433	144,289,454
Communication, Supplies and Services	29,050,764	37,506,914
Domestic Travel and Subsistence, and Other Transportation Costs	183,502,149	154,918,852
Foreign Travel and Subsistence, and other transportation costs	56,701,836	51,121,153
Printing , Advertising and Information Supplies and Services	9,247,894	15,115,717
Rentals of Produced Assets	42,730,207	27,479,460
Training Expenses	74,794,321	108,414,514
Hospitality Supplies and Services	346,126,809	452,221,745
Insurance Costs	2,803,260,488	3,883,463,447
Specialized Materials and Supplies	5,545,296,351	7,582,580,609
Office and General Supplies and Services	53,920,293	121,259,339
Fuel Oil and Lubricants	20,072,342	13,063,400
Other Operating Expenses	11,693,496,291	12,400,281,803
Routine Maintenance - Vehicles	34,414,115	18,634,230
Routine Maintenance - Other Assets	24,466,460	15,960,969
<b>TOTAL</b>	<b>21,059,164,752</b>	<b>25,026,311,607</b>

Notes to the Financial Statements (Continued)

8 Transfer to Other Government Units

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Current grants to government agencies and other level of government	30,472,693,417	30,895,123,430
Capital grants to government agencies and other level of government	43,677,829,870	55,680,979,504
Other Capital Grants and Trans	3,788,556,493	5,133,084,827
<b>TOTAL</b>	<b>77,939,079,780</b>	<b>91,709,187,761</b>

8 b: Transfers to self – Reporting Entities in the Year.

*The above transfers were made to the following self-reporting entities in the year:*

Description	Recurrent	Development	Total for the year	2021-2022
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs	30,472,693,418	43,677,829,870	74,150,523,287	30,895,123,430
Transfers to Projects-GoK counterpart funding		3,788,556,493	3,788,556,493	60,541,064,331
<b>Total</b>	<b>30,472,693,418</b>	<b>47,466,386,363</b>	<b>77,939,079,780</b>	<b>91,709,187,761</b>

**9 Other Grants and Transfers**

<b>Explanation</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Membership dues and subscriptions to international organizations (AU & Other Int. Sub)	3,792,858,617	3,641,324,773
Membership dues and subscriptions to international organizations (continued) (AU & Other Int. Sub)	596,728,667	593,529,126
<b>Total</b>	<b>4,389,587,284</b>	<b>4,234,853,899</b>

**10 Social Security Benefits**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Government pension and retirement benefits	54,522,372	8,049,718
<b>Total</b>	<b>54,522,372</b>	<b>8,049,718</b>

Notes to the Financial Statements (Continued)

11 Acquisition of Assets

Item Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Non-Financial Assets</b>		
Construction of Buildings	24,496,812	-
Refurbishment of Buildings	49,610,870	247,734,538
Construction of Roads	-	136,401,747
Construction and Civil Works	-	99,041,510
Overhaul and Refurbishment of Construction and Civil Works	42,187,215	-
Purchase of Vehicles and Other Transport Equipment	-	9,847,738
Overhaul of Vehicles and Other Transport Equipment	-	204,656,878
Purchase of Household Furniture and Institutional Equipment	-	258,107,421
Purchase of Office Furniture and General Equipment	67,550,623	-
Purchase of Specialized Plant, Equipment and Machinery	104,833,821	-
Purchase of Certified Seeds, Breeding Stock and Live Animals	249,284,089	-
Domestic Equity Participation		67,000,000
Foreign Equity Participation	6,309,956,118	584,162,508
<b>TOTAL</b>	<b>6,847,919,547</b>	<b>1,606,952,339</b>

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

Notes to the Financial Statements (Continued)

12 Cash and Bank Accounts

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts (Note 12 A)	3,650,555,661	3,657,492,025
Cash on hand (Note 12 B)	448,582	2,824,672
<b>Total</b>	<b>3,651,004,243</b>	<b>3,660,316,697</b>

12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	2022-2023	2021-2022
			Kshs	Kshs
<i>TNT Recurrent CBK A/C No. 1000181467</i>	Kshs	Recurrent	32,684	8,905,068
<i>Development CBK A/C No. 1000181664</i>	Kshs	Development	5,670,431	670,219
<i>Deposit CBK A/C No. 1000182137</i>	Kshs	Deposit	53,513,522	97,664,524
<i>PDL CBK A/C No. 1000205024</i>	Kshs	Deposit	3,591,339,025	3,550,252,214
<b>Total</b>			<b>3,650,555,661</b>	<b>3,657,492,025</b>

Notes to the Financial Statements (Continued)

12B: Cash on hand

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in hand – Held in domestic currency	448,582	2,824,672
<b>Total</b>	<b>448,582</b>	<b>2,824,672</b>

Detailed Cash is as follows:

Description	2022-2023	2021-2022
	Kshs	Kshs
Location 1 National Treasury Cash Office	448,582	2,824,672
<b>Total</b>	<b>448,582</b>	<b>2,824,672</b>

13 : Imprests and Advances

Description	2022-2023	2021-2022
	Kshs	Kshs
Advance to MDAs and Projects Annex 19(a)	1,792,177,897	1,789,203,407
Government Imprests Annex 19(b)	2,320,940	865,076
Salary advances Annex 19(c)	605,548	871,114
District suspense Annex 19(d)	407,837	Nil
<b>Total</b>	<b>1,795,512,222</b>	<b>1,790,939,597</b>

**Notes to the Financial Statements (Continued)**

**14 Other Payments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Jamhuri Holdings Ltd (Telcom Kenya)	6,196,584,631	Nil
<b>Total</b>	<b>6,196,584,631</b>	<b>Nil</b>

**N/B:** The Amount of Kshs. 6,196,584,631 paid to Jamhuri Holding was a result of sales of Jamhuri Interest in Telcom Kenya and the payment mode was under Article 223 of the Constitution of Kenya, 2010. The amount was not regularized through supplementary. The budget proposal was not approved by the National Assembly.

**15 Accounts Payable**

Item Description	2022-2023	2021-2022
	Kshs	Kshs
Deposits	53,513,522	97,664,524
Other Deposits	3,591,339,025	3,550,252,214
<b>TOTAL</b>	<b>3,644,852,546</b>	<b>3,647,916,738</b>

**16 Fund Balance Brought Forward**

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Accounts	3,657,492,025	3,603,756,274
Cash in hand	2,824,672	243,087
Imprests and advances	1,790,939,597	1,165,654,971
Third party deposits and retention	(3,647,916,738)	(3,598,836,479)
<b>Total</b>	<b>1,803,339,557</b>	<b>1,170,817,853</b>

Notes to the Financial Statements (Continued)

17 Prior Year Adjustments

	Balance b/f from 2021/2022 per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f 2022/2023
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	4,288,324	7,827,334	7,827,334
	4,288,324	7,827,334	7,827,334

18 (Increase)/ Decrease in Advances and Imprests

Description	2022-2023	2021-2022
	Kshs	Kshs
Receivables As At 1 <sup>st</sup> July 2022	1,790,939,597	1,165,654,971
Receivables As At 30 <sup>th</sup> June 2023	1,795,512,222	1,790,939,597
(Increase)/ Decrease in Receivables (C=(B-A))	(4,572,625)	(625,284,626)

19 Increase/ (Decrease) in Accounts Payable

Description	2022-2023	2021-2022
	Kshs	Kshs
Payables As At 1 <sup>st</sup> July 2022	3,647,916,738	3,598,836,479
Payables As At 30 <sup>th</sup> June 2023	3,644,852,546	3,647,916,738
Increase/ (Decrease) In Payables	(3,064,192)	49,080,259

*Notes to the Financial Statements (Continued)*

**20 Related Party Disclosures**

The following comprise of related parties to The National Treasury

- 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.

**Other Important Disclosures**

**21.1 Related party transactions:**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Key Management Compensation	218,287,676	218,287,676
<b>Transfers to Related Parties</b>		
Transfers to other MDAs	30,472,693,417	79,496,725,495
Transfers to Development Project	47,458,790,987	8,072,788,281
Transfer to other Non -Reporting Government Entities	0	2,894,082,545
<b>Total Transfers to Related Parties</b>	<b>77,939,079,780</b>	<b>90,463,596,321</b>
<b>Purchase of Goods and Services</b>		
Purchase of Electricity from KPLC	142,084,433	144,289,454
Rent paid to Govt. Agencies	42,730,207	27,479,460
Training Fees paid to Govt Agencies	70,520,937	108,414,514
Conference Facilities hired from Govt. Agencies	350,095,193	452,221,745
Others (Specify)	20,453,733,980	24,258,986,352
<b>Total Goods and Services paid to Govt. Agencies</b>	<b>21,059,164,752</b>	<b>24,991,391,525</b>
<b>Transfers from Related Parties</b>		
Transfers from the Exchequer	72,951,394,245	85,799,492,852
<b>Total Transfers from Related Parties</b>	<b>72,951,394,245</b>	<b>85,799,492,852</b>

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

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*Other important disclosures (continued)*

21.2 Pending Accounts Payable (See Annex 1)

	<b>Balance b/f 2021/2022 FY</b>	<b>Additions for the period</b>	<b>Paid during the year</b>	<b>Balance c/f 2022/2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Supply of Services		7,703,536,901.85		7,703,536,901.85
<b>Total</b>		<b>7,703,536,901.85</b>		<b>7,703,536,901.85</b>

Notes to the Financial Statements (Continued)

21.3 Progress on follow up of Prior Years Auditor-General's recommendations.

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022	<p>1. Unconfirmed Expenditure balances</p> <p>2. Long Outstanding Bank Reconciling Items</p>	<p>-The two variances were as a result of inadequate budgetary allocation. The expenditures were met from other related economic items falling under the same parent item namely acquisition of assets and use of goods and services respectively within the same vote. (Purchase of Office Furniture and General Equipment fall under Acquisition of Assets parent item whereas Fuel, Oil and Lubricants falls under Use of Goods and Services parent item). This was done to avoid carrying forward of pending bills to F/Y 2022/2023.</p> <p>- This was occasioned by a receipt which had not been remitted through the Accounts Receivables to reflect in the IFMIS cash book. This has now been remitted through the Account Receivables and the amounts have now reconciled.</p> <p>-The under-utilization of the budget/under</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p> <p>Responses prepared and awaiting to appear before Public Accounts Committee</p>	<p>F/Y 2023/2024</p>

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022	3. Budgetary Control and Performance	<p>collection of revenue was due to;</p> <p>(i) Activities procurement suspended during the year due to the Covid-19 pandemic.</p> <p>(ii) Exchequer under issue during the financial year; and</p> <p>(iii) Low business activities during the year due to covid-19 led to under collection of revenue.</p>	of the National Assembly	F/Y 2023/2024
	4. Lack of Fixed Asset Register	<p>-The National Treasury is in the process of preparing a complete assets register and to actualize this, the under listed has been done;</p> <p>(i) Asset inventory upto 2019 has been done and we are in the process of translating into an assets register in the prescribed format.</p> <p>(ii) Assets record in form S3 cards and stores ledger have been</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2023/2024

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022	5. Over-Commitment of Salary	<p>updated; and</p> <p>A technical task force committee to operationalise a fixed assets module in IFMIS have been constituted</p> <p>-Over-commitment of salary for the year under review was occasioned by some of the following reasons which take precedence of the one third rule. The IPPD System has an inbuilt intelligence that detect any violation of this rule save for the following recoveries;</p> <p>(i) <b>Salary Overpayments:</b> These were as a result of overpayment recoveries that run for over twelve months, caused by hardship allowance where officers were transferred to other stations but were not reported on time other officers were in areas where they were earning higher house allowance which they had committed and on transfer there were deduction of house allowance rate etc.</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2023/2024

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022		<p>(ii) <b>Interdictions:</b> Officers placed under interdiction earn half salary and because of statutory deductions and loan commitments the officer had taken the one third rule is infringed.</p> <p>(iii) <b>Suspension:</b> Officers placed under suspension from duty earns half salary and as a result of statutory deductions and salary commitments the officer had made, the one third rule is equally infringed.</p> <p>(iv) <b>Government Liabilities</b></p> <ul style="list-style-type: none"> <li>➤ Officers who had rent areas from housing that were supposed to have been recovered at a given earlier date and recoveries start much later; and</li> <li>➤ Un-surrendered imprest from officer's salaries.</li> <li>➤</li> </ul>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2023/2024

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022	6.Non-Operational Vehicle Scanning Machines	<p>(v) <b>Retirements:</b> Retirement by officers within mid- month i.e officers retiring by 15<sup>th</sup> and statutory deductions had to be made together with Loan commitments the officer had made. There were Five (8) officers</p> <p>This was due to lack of service contract. The State Department of Public Works, Electrical Department has been requested to prepare bills of quantities for maintenance and servicing of the scanners vide letters:                      a. Letter Ref: ZZ MOF 307/03/02 Part "B" dated 10<sup>th</sup> August, 2023;                      b. Letter Ref: ZZ MOF 307/03/02 Part "O" dated 2<sup>nd</sup> February, 2023; and                      Letter Ref: TNT/ICTU/AD/01 "H"(81) dated 21<sup>st</sup> July, 2023.</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2023/2024

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022	<p>7. Failure to implement the Public E-Procurement System</p> <p>8. Unauthorised Staff Establishment</p>	<p>The Ministry signed a contract with a Service Provider to Design, Develop / customize, supply, install and maintain an Electronic Government Procurement (e-GP) System for the Government of Kenya that shall ensure an end to end system that seeks to eliminate all manual procurement processes. These shall ensure that all the procuring entities comply with the executive order.</p> <p>The Service Provider has designed the system and currently they are customizing it to the requirements of the National Treasury. In this regard, two modules i.e. the supply registration module and the Procuring Entities registration modules have been tested.</p> <p>The procurement and disposal plan module is under gong testing</p> <p>After the full implementation of the 17-tier grading structure which combined Job Groups R/Q, M/N, A/B/C this created over establishment at the immediate lower positions since the promotions caused by the merged grades did not have a corresponding creation of additional posts. Additional posts have now been created in the Job groups that were merged vide authority</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p> <p>Responses prepared and awaiting to appear before Public Accounts Committee</p>	<p>F/Y 2023/2024</p> <p>F/Y 2023/2024</p>

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Audit Report on the Financial Statements 2021-2022</p>		<p>letter.</p> <p>The over establishment was also occasioned by;</p> <ul style="list-style-type: none"> <li>• Succession Management programme by the Public Service Commission that promoted mass staff against the limited approved establishment;</li> <li>• Recruitment and posting of staff by the State Department for Public Service and the Public Service Commission; and</li> <li>• Transfer of officers in various cadres from State Department for Public Service and other Scheme administrators. Delayed release of officers due to the handing over process which may include; induction of the incoming officers for the smooth running of the office</li> </ul> <p>The Management has taken the under listed measures to address the staff establishment;</p> <ul style="list-style-type: none"> <li>• The Human Resource Department is working in liaison with heads of departments to forward the exact number of</li> </ul>	<p>of the National Assembly</p>	

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2021-2022		<p>staff required in various departments;</p> <ul style="list-style-type: none"> <li>Establishing a distribution structure for the staff which will help in the deployment process; and</li> </ul> <p>Reviewing review all the staff establishment</p>		



Dr. Chris Kiptoo, CBS  
Principal Secretary



George K. Gichuru  
Head of Accounting Unit  
ICPAK M/No. 9262

**16. ANNEXES**

**Annex 1 - Analysis of Pending Accounts Payable**

Supplier of Goods or Services	Date invoiced/ contracted	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
				a	b	c	d=a+b-c	
Supply of services							7,703,536,901.85	Lack of Exchequer issue
<b>Grand Total</b>							<b>7,703,536,901.85</b>	

The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023

Annex 2 - Analysis of Pending Staff Payables

Name of Staff	Job Group	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b	Year	
Senior Management						Nil	
Middle Management						Nil	
Union Employees						Nil	
Others ( <i>specify</i> )						Nil	
Grand Total							

N/B: There were no Pending Staff Payables

The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023

Annex 3 - Analysis of Other Pending Payables

Name	Brief Transaction Description	Date Payable Contracted	Original amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Amounts due to National Govt Entities						Nil	
Amounts due to County Govt Entities						Nil	
Amounts due to Third Parties						Nil	
Others ( <i>specify</i> )							

N/B: There were no Other Pending Payables

*The National Treasury  
Annual Report and Financial Statements for the year ended 30th June 2023*

**Annex 4 – Summary of Fixed Asset Register.**

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2022-2023
Buildings and structures	1,004,215,259	24,496,812			1,028,712,071
Refurbishment of buildings	461,717,305	49,610,870			511,328,175
Transport equipment	159,762,550				159,762,550
Office equipment, furniture and fittings	420,413,005				420,413,005
Overhaul construction and civil work	274,937,437	42,187,215			317,124,652
Household furniture and institutional equipment	627,500				627,500
Purchase of specialised plant, machinery and equipment	2,635,536,574	104,833,821			2,740,370,395
Research studies, project preparation design	1,246,969,436	249,284,089			1,496,253,525
Purchase of motor vehicles	366,360,288				366,360,288
Purchase of office furniture and general equipment		67,550,623			67,550,623
<b>Sub Total</b>	<b>6,570,539,354</b>	<b>537,963,430</b>			<b>7,108,502,784</b>
<b>Financial Assets</b>					
Domestic equity participation	20,463,247,666				20,463,247,666
Foreign equity participation	8,355,054,546	6,309,956,118			14,665,010,664
Domestic lending and on lending	33,090,542,610				33,090,542,610
<b>Sub Total</b>	<b>61,908,844,822</b>	<b>6,309,956,118</b>			<b>68,218,800,940</b>
<b>Total</b>	<b>68,479,384,176</b>	<b>6,847,919,548</b>			<b>75,327,303,724</b>

**Annex 5 – List of Projects implemented by The National Treasury**

<b>Ref</b>	<b>Project Name</b>	<b>Principal activity of the project</b>	<b>Accounting Officer</b>	<b>Project consolidated in these financial statements(yes/no)</b>
1	Global Fund HIV/AIDS	Control of Mobility and Mortality attributable to Malaria in the epidemiological zones	Principal Secretary	Prepared their Accounts
2	Global Fund TB	To expand the physical infrastructure for the delivery of TB/HIV service by strengthen primary health care facilities	Principal Secretary	Prepared their Accounts
3	Global Fund Malaria	To have 100% diagnosed Malaria patient receiving effective treatment by 2019	Principal Secretary	Prepared their Accounts
4	Public Financial Management Reforms	To strengthen public financial management system to enhance Transparency, Accountability and Responsiveness of expenditure to policy priorities and improved service delivery	Principal Secretary	Prepared their Accounts
5	Profit Programme	The rural finance outreach and innovation	Principal Secretary	Prepared their Accounts
6	Micro Finance	Promote the Financial Deepening in the Banking Sector in order to ensure the access to credit by the Non banking population of Kenya	Principal Secretary	Prepared their Accounts
7	Infrastructure FPP Project	To increase Private Investments in the Kenya Infrastructure market	Principal Secretary	Prepared their Accounts
8	Financial Sector Support Project	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access ro and provision of affordable and long-term financing	Principal Secretary	Prepared their Accounts
9	Technical Support Programme	Financing of feasibility studies for project to be financed by AFD	Principal Secretary	Prepared their Accounts

*The National Treasury*

*Annual Report and Financial Statements for the year ended 30th June 2023*

<b>Ref</b>	<b>Project Name</b>	<b>Principal activity of the project</b>	<b>Accounting Officer</b>	<b>Project consolidated in these financial statements(yes/no)</b>
10	Study & Capacity Building	To strengthen health professionals existing clinical expertise	Principal Secretary	Prepared their Accounts
11	Financing Locally led Climate Action Programme	To finance locally led climate action program	Principal Secretary	Prepared their Accounts
12	Green Climate Fund Readiness Programme	Provides grants and technical assistance to National Designated Authorities	Principal Secretary	Prepared their Accounts
13	EA Regional Trade & Transport Facilitation Programme	To improve the movement of goods and people between Kenya and South Sudan, in general	Principal Secretary	Prepared their Accounts
14	Horn of Africa Gateway Development Project	To improve the movement of people and goods and digital connectivity and access to social services	Principal Secretary	Prepared their Accounts
15	Public Debt Management Support Project	To finance technical assistance and capacity building activities to address capacity and knowledge	Principal Secretary	Prepared their Accounts
16	Kenya Affordable Housing Project	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
17	Single Widow Support Project	A vision enabling solution	Principal Secretary	Prepared their Accounts
18	Regional Integration Implementation Programme	To enhance Uganda's capacity to integrate and harness regional economic opportunities presented by COMESA	Principal Secretary	Prepared their Accounts
19	Kenya Mortgage and Finance Company	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
20	Supporting access to finance and enterprise recovery(SAFER)	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access ro and provision of affordable and long-term financing	Principal Secretary	Prepared their Accounts

<b>Ref</b>	<b>Project Name</b>	<b>Principal activity of the project</b>	<b>Accounting Officer</b>	<b>Project consolidated in these financial statements(yes/no)</b>
21	Rural Kenya Financial inclusion facility	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
22	National Treasury capacity Strengthening Project	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts

**Annex 6 – List of SCs, Sagas and Public Funds Under The National Treasury**

<b>Ref</b>	<b>SC, SAGA or Public Fund's name</b>	<b>Amount transferred during the year</b>	<b>Inter- entity reconciliations done?(yes/no)</b>
1	Kenya Revenue Authority	21,238,460,541	N/A
2	Competition Authority of Kenya	291,100,000	
3	Public Procurement Oversight Authority	322,671,000	
4	Kenya Institute of Supplies Management	49,087,500	
5	Kenya Trade Network	581,025,000	
6	Public Privatization Commission	124,142,500	
7	Public Sector Accounting Standard Board	172,900,000	
8	Registration of Certified Public Secretaries Board	22,907,500	
9	KASNEB	96,250,000	
10	Public Procurement Review Administrative Board	25,000,000	
11	Nairobi Financial Centre	595,787,500	
12	Institute of Certified Investment and Financial Analysis	19,550,000	
13	Competition Tribunal	30,415,000	

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

14	State Corporations Appeal Tribunal	23,597,404	
15	African Institute of Remittance	78,590,750	
16	Kenya Institute of Supplies Examination Board	48,125,000	

*The National Treasury*  
*Annual Report and Financial Statements for the year ended 30th June 2023*

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**Annex 7 – Contingent Liabilities Register**

	<b>Nature of contingent liability</b>	<b>Remarks</b>
1	Nil	Nil

There were no contingent liability

**Annex 8: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Project Objectives				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Nil	Nil	Nil							

There was no expenditure relating to Climate Category.

**Annex 9: Disaster Expenditure Reporting Template**

<b>Column I</b>	<b>Column II</b>	<b>Column III</b>	<b>Column IV</b>	<b>Column V</b>	<b>Column VI</b>	<b>Column VII</b>
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
NIL	NIL	NIL	NIL	NIL	NIL	

There was no expenditure relating to Disaster Management Category.

**Annex 10- Reports Generated from IFMIS**

IFMIS financial reports to be presented on request.

- i. GOK IFMIS Comparison Trial Balance
- ii. GOK IFMIS Receipts and Payments accounts
- iii. GOK IFMIS Statements of Financial Position
- iv. GOK IFMIS Statements of Cash Flows
- v. GOK IFMIS Notes to the Financial Statements
- vi. GOK IFMIS Statements of Budget Execution
- vii. GOK IFMIS Budget Execution by Programme
- viii. GOK IFMIS Budget Execution by Heads and Programmes
- ix. GOK IFMIS Budget Execution by Programmes and Sub- Programmes