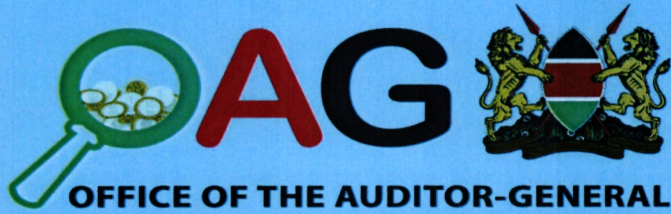


REPUBLIC OF KENYA



Enhancing Accountability

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ON

**CONSOLIDATED FUND SERVICES – PENSIONS
AND GRATUITIES**

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

THE NATIONAL TREASURY


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THE NATIONAL TREASURY AND PLANNING

THE NATIONAL TREASURY

FUND NAME: CONSOLIDATED FUND SERVICES

PENSION AND GRATUITIES

FUND IDENTIFICATION NUMBER: 051

REPORTS AND FINANCIAL STATEMENTS

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

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

TABLE OF CONTENT	PAGE
1. NATIONAL TREASURY INFORMATION AND MANAGEMENT	1
2. FORWARD BY THE CABINET SECRETARY	7
3. STATEMENT OF THE PENSION FUND MANAGEMENT RESPONSIBILITIES ..	10
4. REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FUND SERVICES PENSION FUND	11
5. STATEMENT OF RECEIPTS AND PAYMENT	12
6. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES	13
7. STATEMENT OF CASHFLOW FOR THE PERIOD 30 TH JUNE, 2019	14
8. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	15
9. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	16
10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT	17
11. BUDGET EXECUTION BY PROGRAMMES	18
12. SIGNIFICANT ACCOUNTING POLICIES	19
13. NOTES TO THE FINANCIAL STATEMENTS	24
14. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	27

1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

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

Mission

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

Core Values

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

Mandate of the National Treasury

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

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

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

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

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

(b) Key Management

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

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury operations. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility.

Organizational structure of the National Treasury

The National Treasury is organized into four (4) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

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

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

(c) **Fiduciary Management**

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

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

(d) **Fiduciary Oversight Arrangements**

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

Audit Committee

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

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

Internal Audit Unit

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

Audit Query Committee

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

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

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

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

Senior Management Committee

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

Public Financial Management Sector Working Group

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

Budget Implementation Committee

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

Monitoring and Evaluation

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

(a) The National Treasury Headquarters

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

The National Treasury Contacts

Telephone: (254)020-2252299

Email: info@treasury.go.ke

Website: www.treasury.go.ke

(b) The National Treasury Bankers

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

(c) Independent Auditors

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

(d) Principal Legal Adviser

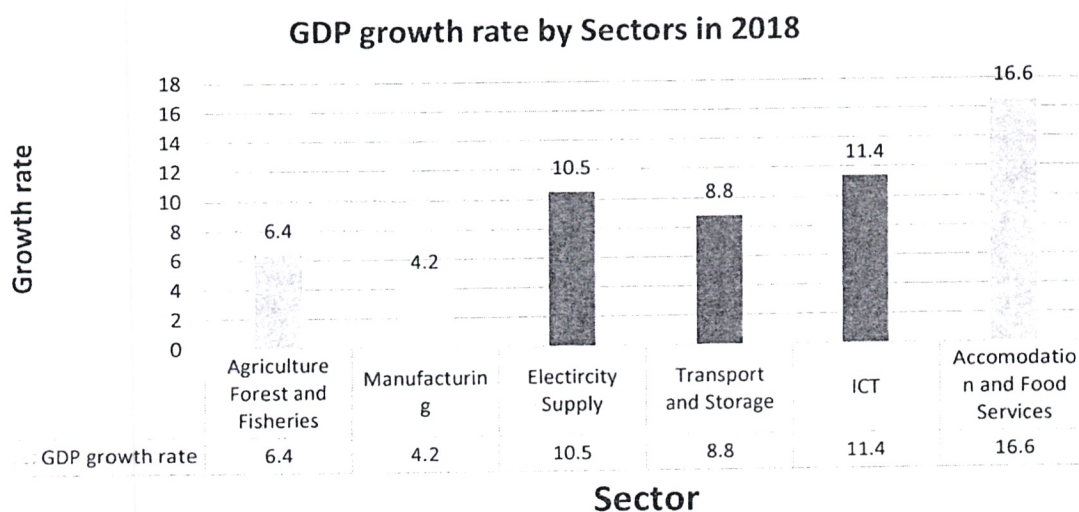
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. **FORWARD BY THE CABINET SECRETARY**

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

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

Figure 1: GDP Growth Rate by Sectors in 2018



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

- Conditional allocation worth more than **Ksh.15 billion** derived from the National Government’s equitable revenue share;
- Ksh.7.4 billion** from the Roads Maintenance Levy Fund (RMLF) collected by the Kenya Roads Board (KRB), of which 15 percent is set aside for County roads; and,
- Proceeds from external loans and grants totalling **Ksh.23.6 billion** earmarked to supplement financing of devolved functions.

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

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

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

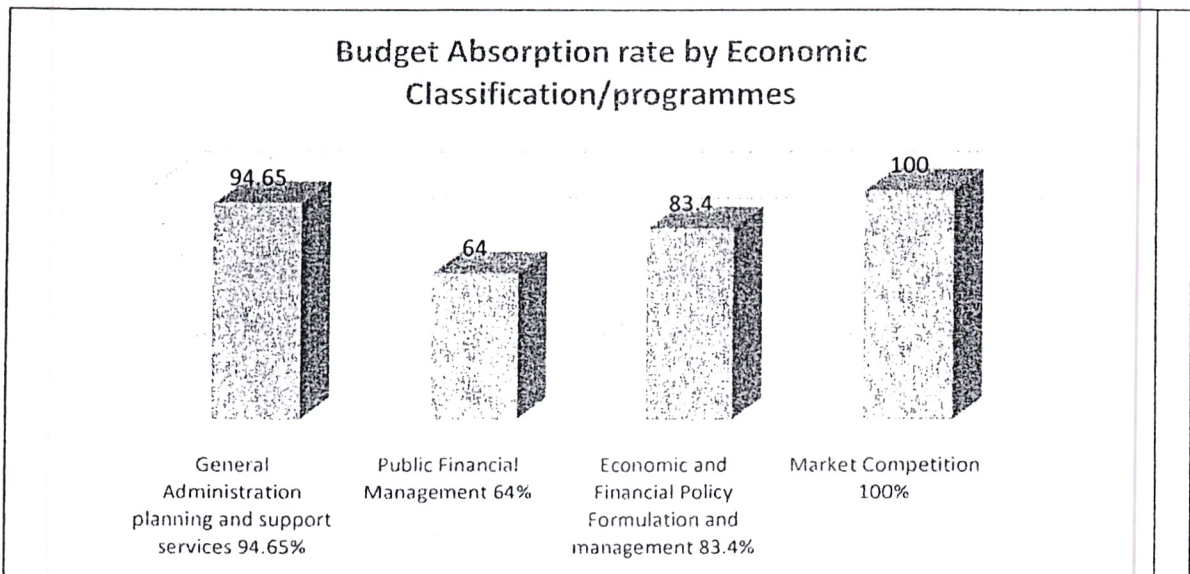
The announcement of Kenya issuance triggered an overwhelming response from investors that amounted to an order book of US\$ 9.5 billion, an oversubscription of 4.5 times. This overwhelming interest in Kenya's bond issue confirms the strong investor confidence in Kenya's economic policy management and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

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

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

In terms of budget performance, the National Treasury expenditure stood at Kshs.54.417b against an approved budget of **Kshs.64.865b**. The National Treasury implemented the 2018/19 budget within four economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management and Market Competition. As demonstrated in figure 2 below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 94.65%, Economic and Financial Policy Formulation and Management (83.4%) and Public Financial Management Programme at 64%.

Figure 2: Budget Absorption rate by Economic Classification/Programmes

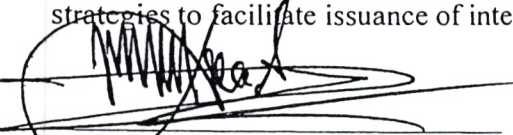


Some of the challenges the National Treasury faced while implementing the 2018/19 budget include:-

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

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

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


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

3. STATEMENT OF THE PENSION FUND MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Financial Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that Entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with a relevant accounting standards as prescribed in the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer for the National Treasury is responsible for the preparation and presentation of the Consolidated Fund Services-Pension and Gratuities financial statements, which gives a true and fair view of the state of affairs of the Pension Fund for and as at the end of the financial year ended on June 30, 2019.


This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Pension Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Pension Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

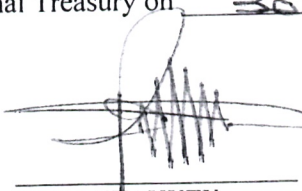
The Accounting Officer for the National Treasury accepts responsibility for the Pension Fund's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. The Accounting Officer is of the opinion that the Pension Fund's financial statements give a true and fair view of the state of Pension Fund's transactions during the financial year ended June 30, 2019, and of the Pension Fund's financial position as at that date. The Accounting Officer for National Treasury further confirms the completeness of the accounting records maintained for the Pension Fund, which have been relied upon in the preparation of the Pension Fund financial statements as well as the adequacy of the systems of internal financial control.

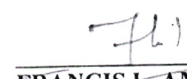
The Accounting Officer for the National Treasury confirms that the Pension Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Consolidated Fund Services-Pension and Gratuities funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Pension Fund financial statements

The Consolidated Fund Services-Pension and Gratuities financial statements were approved by the Accounting Officer for the National Treasury on 30/9/19 2019 and signed by.

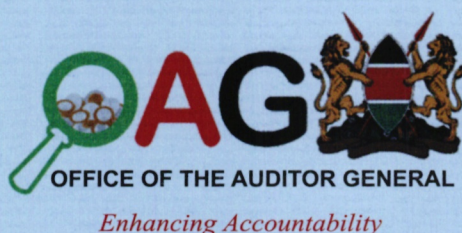

DR. JULIUS M. MUIA, PhD, EBS
PRINCIPAL SECRETARY


SHEM NYAKUTU
PENSIONS SECRETARY/
DIRECTOR OF PENSIONS


FRANCIS L. AMUYUNZU
ICPAL 6175
ASST. ACCT. GENERAL/PENSIONS

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES - PENSIONS AND GRATUITIES FOR THE YEAR ENDED 30 JUNE, 2019 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Consolidated Fund Services - Pensions and Gratuities set out on pages 12 to 28, which comprise the statement of financial assets and liabilities as at 30 June, 2019, statement of receipts and payments, statement of cash flows and the summary statement of appropriation - recurrent and development for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Consolidated Fund Services - Pensions and Gratuities Services as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

1.1 Discrepancies Between the Financial Statements and the Ledger Balances

The financial statements prepared and presented for audit had the following unexplained and unreconciled variances with the ledger as indicated below:

Item	Financial Statements Balance (Kshs)	Ledger Balance (Kshs)	Variance (Kshs)
Military gratuity payments	2,365,015,733	2,580,880,386	(215,864,653)
Returned pensions	341,468,825	438,896,156	(97,427,331)
Re-credited cheques	121,791,362	390,937,784	(269,146,422)
Commutated Pension and gratuities	22,808,826,537	25,095,813,221	(2,286,986,684)

Report of the Auditor-General on the Consolidated Fund Services – Pensions and Gratuities for the year ended 30 June, 2019 – The National Treasury

The differences between the two sets of records have not been reconciled or explained.

1.2 Misstated Payment of Pensions Balances

As disclosed in Note 13.3 to the financial statements, the statement of receipts and payments reflects a balance of Kshs.66,917,302,195 under payment of pensions. However, this balance varies with the casted amount of Kshs.66,119,310,602 reflected in Note 13.3 to the financial statements, by Kshs. 797,991,593. Further, included in the military pensions payments of Kshs.4,658,469,029 is an amount of Kshs.132,892,687 which was paid in the financial year 2019/2020.

In addition, payments of civil pensions amounting to Kshs.29,820,146,295 was not properly supported as the payrolls and payment vouchers reflected an expenditure of Kshs.30,271,871,789 and Kshs.26,586,806,355 respectively as at 30 June, 2019.

From the foregoing, the accuracy of the financial statements prepared and presented for audit for the year ended 30 June, 2019 could not be confirmed.

1.3 Comparative Balances Differing with Audited 2017/18 Balances

The following comparative balances differed with the balances reflected in the audited 2017/18 financial statements:

Statement	Component	Comparative Balance as Per 2018/19 Financial Statements	Balance as Per the Certified 2017/18 Financial Statements
Statement of Assets and Liabilities	Bank Balance	572,446,864	(572,446,864)
Statement of Assets and Liabilities	Net Financial Assets	4,633,699,481	(4,633,699,481)
Statement of Assets and Liabilities	Fund Balance b/f	3,876,911,341	(3,876,911,341)
Statement of Assets and Liabilities	Deficit for the period	756,788,140	(756,788,140)
Note 13.1	Exchequer Releases	63,170,121,740	62,413,333,600
Note 13.3	Civil gratuity	Nil	1,219,455,965

In addition, the statement of assets and liabilities reflects a fund balance brought forward of Kshs.4,037,848,812 while the audited 2017/18 financial statements reflected a closing balance of Kshs.4,633,699,481 resulting into an unexplained difference of Kshs.595,850,669.

2. Accuracy of the Financial Statements

The statement of receipts and payments reflects balances of Kshs.1,706,000,086 and Kshs.1,270,867,275 under other receipts and other payments respectively. The balances are however, not reflected in the summary statements of appropriation. In the

circumstances, the accuracy of the financial statements as presented could not be confirmed.

3. Unbalanced Trial Balance

The Trial Balance in support of the financial statements presented for audit reflects total debits and credits of Kshs.64,242,772,210 and Kshs.63,699,446,337 respectively resulting to an unreconciled variance of Kshs.543,325,873. Further, the Trial Balance includes items with balances that have not been incorporated in the financial statements as detailed below:

Account	Description	Debit (Kshs.)	Credit (Kshs.)
0-962-0900-2710102	Service and compassionate gratuities	15,267,436	
0-962-0901-2710102	Marriage gratuities	16,059,357	
0-962-0902-2710102	Civilian death gratuities	821,187,130	
9-808-0000-9910201	Provision for encumbrance		151,553,515
9-808-0000-9910201	Provision for encumbrance		18,709,786
9-808-0001-9910201	Provision for encumbrance	2,323,457,922	
9-808-0001-9910201	Provision for encumbrance	2,360,628	
9-808-0001-9910201	Provision for encumbrance		727,459
9-808-0001-9910201	Provision for encumbrance	543,325,873	

Consequently, it has not been possible to confirm the completeness and accuracy of the financial statements for the year ended 30 June, 2019 as prepared and presented.

4. Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June, 2019 reflects pension payments of Kshs.66,917,302,195. Included in this balance is Kshs.61,995,510 (2017/2018-Kshs 58,656,973) paid through the pension payroll to Asian and European Pensioners who retired due to Africanization of public sector after independence in 1963. However, no evidence was provided that the pensioners' personal files and life certificates were submitted before payments were effected as required by the Pension Department's internal controls. Consequently, the propriety of the expenditure of Kshs.61,995,510 could not be confirmed.

5. Returned Pensions and Unsupported Accounts Payables

As previously reported, the statement of assets and liabilities and as disclosed in Note 13.6 to the financial statements, reflects accounts payable of Kshs.4,183,043,979 (2018 - Kshs.4,061,252,617). Analysis of the figure revealed that Kshs.1,189,930,008 related to pensions payments returned during the year while Kshs.372,222,595 was paid back to pensioners on account of 2017 returns resulting in the net movement for the year of Kshs.817,707,413. However, detailed listing by individual pensioners in support of the accounts payables balance of Kshs.4,183,043,979 was not provided.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matter

The following prior year audit matter remained unresolved as at 30 June, 2019:

Unsupported Expenditure

As previously reported, included in the pensions expenditure of Kshs.63,170,121,740 as at 30 June, 2018 is an amount of Kshs.20,294,340 paid to an international development company. Although Management explained that the payment was on account of pre-independence and post - independence pensioners who worked in Kenya and currently residing in the United Kingdom, the expenditure was not adequately supported by way of payrolls detailing out the beneficiaries. Consequently, the propriety of the expenditure could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

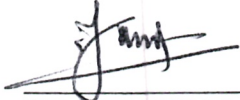
Nairobi


29 January, 2021

5. STATEMENT OF RECEIPTS AND PAYMENT
 FOR THE PERIOD ENDED 30TH JUNE, 2019

	Note	30.06.2019	30.06.2018
		KShs	KShs
RECEIPTS			
Exchequer releases	13.1	66,397,600,000	62,413,333,600
Other Receipts	13.2	1,706,000,086	
TOTAL RECEIPTS		68,103,600,0086	62,413,333,600
PAYMENTS			
Payment to Pensions	13.3	66,917,302,195	63,170,121,740
Other payments	13.4	1,270,867,275	-
TOTAL PAYMENTS		68,188,169,470	63,170,121,740
SURPLUS/DEFICIT		(84,569,384)	(756,788,140)

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 30/6/19 2019 and signed by:

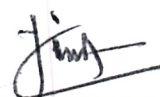

 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY



 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST. ACCT. GENERAL/PENSIONS

6. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES
 AT 30H JUNE, 2019

	Notes	30.06.2019	30.6.2018
		Kshs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances(Ledger)			572,446,864
Cash Book Balances	13.5	60,625,783	-
Total Cash and cash equivalent		60,625,783	572,446,864
Accounts receivables-Outstanding Imprest	-	-	-
TOTAL FINANCIAL ASSETS		60,625,783	572,446,864
FINANCIAL LIABILITIES			
Accounts Payables	13.6	4,183,043,979	4,061,252,617
NET FINANCIAL ASSETS		4,122,418,196	4,633,699,481
REPRESENTED BY			
Fund balance b/fwd	13.7	4,037,848,812	3,876,911,341
Surplus/Deficit for the Period		84,569,384	756,788,140
NET FINANCIAL POSITION		4,122,418,196	4,633,699,481

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 30/9/2019 2019 and signed by:

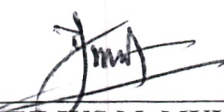

 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY

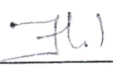

 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST. ACCT. GENERAL/PENSIONS

7. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE, 2019

		2018-2019	2017-2018
	Note	30.06.2019	30.06.2018
		KShs	KShs
Receipts for Operating Income			
Exchequer Releases	13.1	66,397,600,000	62,413,333,600
Other receipt	13.2	1,706,000,086	817,707,413
Payments for Operating Expenses			
Payment of pensioners	13.3	66,917,302,195	63,170,121,740
Other payments	13.4	1,270,867,275	
Net Profit(Loss)		(84,569,384)	(756,788,140)
Add increase in re-credited Cheques	13.6	121,791,362	817,707,413
Net cash flow from operating activities		37,221,978	60,919,273
CASHFLOW FROM INVESTING ACTIVITIES			
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		37,221,978	60,919,273
Cash and cash equivalent at BEGINNING of the Year		23,403,805	(633,366,137)
Cash and cash equivalent at END of the year	13.5	60,625,873	(572,446,864)

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 30/06 2019 and signed by:

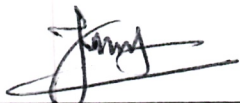

 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY



 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST. ACCT. GENERAL/PENSIONS

8. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT
 FOR THE PERIOD ENDED 30TH JUNE 2019

Receipt/Expense Item	Original Budget	adjustments	Final Budget	Actual	Budget utilization difference
			Kshs	Kshs	Kshs
RECEIPTS					
Exchequer releases	86,251,896,250	(5,796,769,050)	80,455,127,200	66,397,600,000	14,057,527,200
PAYMENTS					
Payment to Pension	86,251,896,250	(5,796,769,050)	80,455,127,200	66,917,302,195	13,537,825,015

The entity financial statements were approved on 30/9/ 2019 and signed by:



 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY

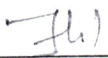

 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST. ACCT. GENERAL/PENSIONS

9. **SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT
 FOR THE PERIOD ENDED 30TH JUNE 2019**

Receipt/Expense Item	Original Budget	adjustments	Final Budget	Actual	Budget utilization difference
			Kshs	Kshs	Kshs
RECEIPTS					
Exchequer releases					
PAYMENTS					
Payment to Pension					

The entity financial statements were approved on 30/9/ 2019 and signed by:


 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY


 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST. ACCT. GENERAL/PENSIONS

10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT
 FOR THE PERIOD ENDED 30TH JUNE 2019

Receipt/Expense Item	Original Budget	adjustments	Final Budget	Actual	Budget utilization difference
			Kshs	Kshs	Kshs
RECEIPTS					
Exchequer releases	86,251,896,250	(5,796,769,050)	80,455,127,200	66,397,600,000	14,057,527,200
PAYMENTS					
Payment to Pension	86,251,896,250	(5,796,769,050)	80,455,127,200	66,917,302,195	13,537,825,015

The entity financial statements were approved on 30/06 2019 and signed by:



DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY

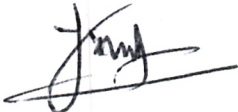


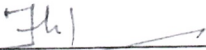
FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST, ACCT. GENERAL/PENSIONS

11. BUDGET EXECUTION BY PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual cumulative to date	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Ordinary Pension	40,871,027,200	-	40,871,027,200	40,777,069,523	2,641,741,607
Commuted Pensions (Monthly)	45,118,769,050	(5,796,769,050)	39,322,000,000	26,141,641,419	10,637,222,274
Other Pension Scheme	262,100,000	-	262,100,000	5,709,933	256,390,067
TOTAL	86,251,896,250	(5,796,769,050)	80,455,127,200	66,917,302,195	13,537,825,005

The entity financial statements were approved on 30/01 2019 and signed by:


 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY


 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST, ACCT. GENERAL/PENSIONS

12. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

The financial statements are for the Consolidated Fund Services – Pensions and Gratuities. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Reporting Currency

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

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

Tax Receipts

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers from the Exchequer

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

External Assistance

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

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

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

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

Other receipts

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

b) Recognition of payments

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

Compensation of Employees

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

Use of Goods and Services

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

Interest on Borrowing

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

Repayment of Borrowing (Principal Amount)

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

Acquisition of Fixed Assets

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

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

5. In-kind contributions

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

6. Third Party Payments

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

7. Cash and Cash Equivalents

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

Restriction on Cash

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

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

For the purposes of these financial statements, imprests

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

9. Accounts Payable

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

10. Pending Bills

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

11. Budget

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

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

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

12. Comparative Figures

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

13. Subsequent Events

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



14. Errors

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

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

15. Related Party Transactions

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



13. NOTES TO THE FINANCIAL STATEMENTS

13.1 EXCHEQUER RELEASES

	2018-2019	2017-2018
	Kshs	Kshs
Total Exchequer Releases for Quarter	12,498,900,000	9,317,900,000
Total Exchequer Releases for Quarter	17,479,600,000	16,612,833,600
Total Exchequer Releases for quarter	17,800,000,000	15,090,500,000
Total Exchequer Releases for Quarter	18,619,100,000	22,148,888,140
Total	66,397,600,000	63,170,121,740

13.2 Other Receipts

During the year, the returned pension amounted to Kshs.1,706,000,086/=

13.3 PAYMENT OF PENSIONS

PAYMENTS OF PENSIONS	2018-2019	2017-2018
Ordinary Pensions	Kshs	KShs
Civil Pensions	29,820,146,295	26,781,732,479
Military Pensions	4,658,469,029	4,391,427,668
Emergency Pension		
Widows, Children & Dependants Pension	5,973,102,328	6,118,133,378
Civil Pensions Mps	293,671,871	290,495,895
Civil Pensions President	31,680,000	31,680,000
	40,777,069,523	37,613,469,420
Commuted Pension(Monthly)		
Commuted Pensions and gratuities	22,808,826,537	21,434,120,098
Military gratuities	2,365,015,733	1,517,299,948
Commuted Pensions MPs	162,688,876	1,356,697,843
Commuted Pensions President	-	-
	26,134,522,739	25,527,573,854
Other Pension Scheme		
Refunds and other ex-gratia allowances	5,709,933	8,784,126
Payment to Crown Agents		20,294,340
	5,709,933	29,078,466
Total	66,917,302,195	63,170,121,740



NOTES TO THE FINANCIAL STATEMENTS (Continued)

N/B

a) The net payment for 2018/2019 of kshs. 66,917,302,195 above is arrived as tabulated below:

	KSHS.
Total Expenditure	66,836,801,286
Add: July 2018 salary not reflected in the ledger	3,009,035,081
Less: Pending bill reflected in the ledger	2,928,534,172
NET PAYMENT	66,917,302,195.00

13.4 Other Payments

Returned Pension paid back	Kshs. 341,468,825/=
Amount swept by Exchequer	- Kshs. 929,398,450/=
Total	- Kshs. 1,270,867,275/=

13.5 Bank Accounts

Name of Bank, Account No. & Currency Central Bank of Kenya A/c No 1000204397, Kshs	Indicate whether recurrent, Development, deposit etc.	2019	2018
		Kshs	Kshs
The National Treasury-Central Bank Of Kenya 1000204397	Recurrent	60,625,783	(572,446,864)
Total		60,625,783	(572,446,864)

13.6 ACCOUNTS PAYABLE/RE-CREDITED CHEQUES

	2019	2018
	30.06.2019	As at 31.06.2018
Balance b/f	4,061,252,617	3,243,545,204
Increase in Re-credited Cheques	121,791,362	817,707,413
Total Re-credited Cheques	4,183,043,979	4,061,252,617



NOTES TO THE FINANCIAL STATEMENTS (Continued)


13.7 FUND BALANCE BROUGHT FORWARD

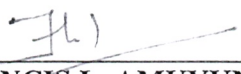
	2019(Audited)	2019(Restated)	2018
	Kshs.	Kshs	KShs
Bank	(572,446,864)	23,403,805	(633,366,137)
Accounts Payables	(4,061,252,617)	(4,061,252,617)	(3,243,545,204)
Total	(4,633,699,481)	4,037,848,812	(3,876,911,341)

Note:

The Fund balance brought forward has been restated to recognize the cash balance as at 30th June, 2018. At the time of audit ledger figure was used instead of cashbook figure.

The entity financial statements were approved on 30/9/ 2019 and signed by:


 DR. JULIUS M. MUIA, PhD EBS
 PRINCIPAL SECRETARY


 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 ASST, ACCT. GENERAL/PENSIONS



14 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
37	Unsupported Increase of Returned Pension to 3,243,545,200 from 2,853,521,960	The supporting schedules have since been provided.	Shem Nyakutu Director Pensions	Resolved	
38 (a)	Bank Balance Overdraft of Khs.633,386,137 under cash & cash equivalents not agreeing with cashbook balance of Kshs.11,437,908.90	The amounts have since been reconciled	Shem Nyakutu Director Pensions	Resolved	
38b(i)	Bank Reconciliation refelects payments in cashbook not in bank statement of Kshs.633,058,933	An amount of Ksh.618,065,639 has been cleared leaving a balance of Kshs.14,993,294.60 which is being analyzed.	Shem Nyakutu Director Pensions	partially resolved	By the end of this financial year.
38.b(ii)	Receipts in bank not in cashbook	The amounts have been analysed and posted in cashbook	Shem Nyakutu Director Pensions	Resolved	
38.b(iii)	Receipt in Cashbook not in Bank statement	An amount of Ksh 14,583,157 has been cleared. Balance to be cleared subsequent months	Shem Nyakutu Director Pensions	Resolved partially	In the subsequent months
39	Irregular payment of pension-TSC	Revised pension was based on 1997 CBA and salary progression by TSC which was awarded by court	Shem Nyakutu Director Pensions	Resolved	
40	Military Gratuity	This was a system issue hence the double posting.	Shem Nyakutu Director Pensions	Resolved	
41.	Unsupported Expenditure-lack of life certificates	The Department carried out a pensioners Head Count to confirm existence.	Shem Nyakutu Director Pensions	Partially resolved	
42	Excess Expenditure funded by returned pension	This was a result of use of returned pension not recorded as receipts	Shem Nyakutu Director Pensions	Resolved	
43	Unsupported of prior year adjustment	The amounts have since been reinstated	Shem Nyakutu	Resolved	



The National Treasury
 Consolidated Fund Services: Pension and Gratuities
 Reports and Financial Statements
 For the period ended 30th June 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
			Director Pensions		
44	Failure to submit audited parliamentary pension accounts	Audited statements have been provided	Shem Nyakutu Director Pensions	Resolved	
45	Weak payroll internal controls	Department has initiated a bi-annual payroll cleansing exercise	Shem Nyakutu Director Pensions	Not resolved	



DR. JULIUS M. MUIA, PhD EBS
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11/11/11 10:11