

REPUBLIC OF KENYA

*Paper laid by the H
Leader of majority Party
on
25/7/2018*



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
CONSOLIDATED FUND SERVICES –
PENSION AND GRATUITIES**

**FOR THE YEAR ENDED
30 JUNE 2017**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 – 00100, NAIROBI
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PENSION FUND NAME: CONSOLIDATED FUND SERVICES: PENSION AND GRATUITIES

IMPLEMENTING ENTITY: NATIONAL TREASURY

FUND IDENTIFICATION NUMBER: 051

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

TABLE OF CONTENTS

I.	NATIONAL TREASURY INFORMATION AND MANAGEMENT.....	1
II.	FORWARD BY THE CABINET SECRETARY	8
1.	STATEMENT OF THE PENSION FUND MANAGEMENT RESPONSIBILITIES	17
2.	REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FUND SERVICES PENSION FUND	19
3.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE, 2017	20
4.	STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2017	21
5.	STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2017*	22
7.	SIGNIFICANT ACCOUNTING POLICIES	24
8.	NOTES TO THE FINANCIAL STATEMENTS	26
9.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	28

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

An institution of excellence in economic and public financial management.

Mission

To promote economic transformation for shared growth through formulation, implementation and monitoring of prudent economic and financial policies at national and county levels of government.

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, Teamwork and Staff as key asset and Equity, Fairness and Inclusion.

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.2/2013. 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;

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

- 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 encourage support for county governments in performing their functions.
- Assist county governments to develop their capacity for efficient, effective and transparent financial management.
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill.
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations.
- Coordinate the development and implementation of financial recovery plans for county governments that are in financial distress.
- Coordinate capacity building of County Governments on public finance management matters.

(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 for efficient delivery of public services that have been assigned to this Ministry. The

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

Principal Secretary is also charged with the responsibility of rendering advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility of the National Treasury.

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.

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

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

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 2017 and who had direct fiduciary responsibility were:

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, EBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Director General, PDMO	Mr. Wohoro Ndohho
7.	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.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	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. Tom Khakame

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

15.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
16.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
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.	Director of Administration	Mr David Oleshege, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Chief Finance Officer	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Momanyi
27.	Director, Human Resource Management and Development	Ms. Susan Mucheru
28.	Ag Director, Information Communication and Technology	Mr. George Kariuki
29.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
30.	Head, Public Communications	Mr. Maina Kigaga
31.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
32.	Head, Government Clearing Agency	Mr. Felix Ateng

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

The National Treasury has a well-resourced internal Audit Unit. The unit is 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 officers on a regular basis.

Audit Committee

The National Treasury established an audit committee comprising officers from all departments of the Ministry, under the chairmanship of the 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.

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.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

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 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

(b) The National Treasury Contacts

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

(c) The National Treasury Bankers

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

(d) Independent Auditors

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

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

- (e) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

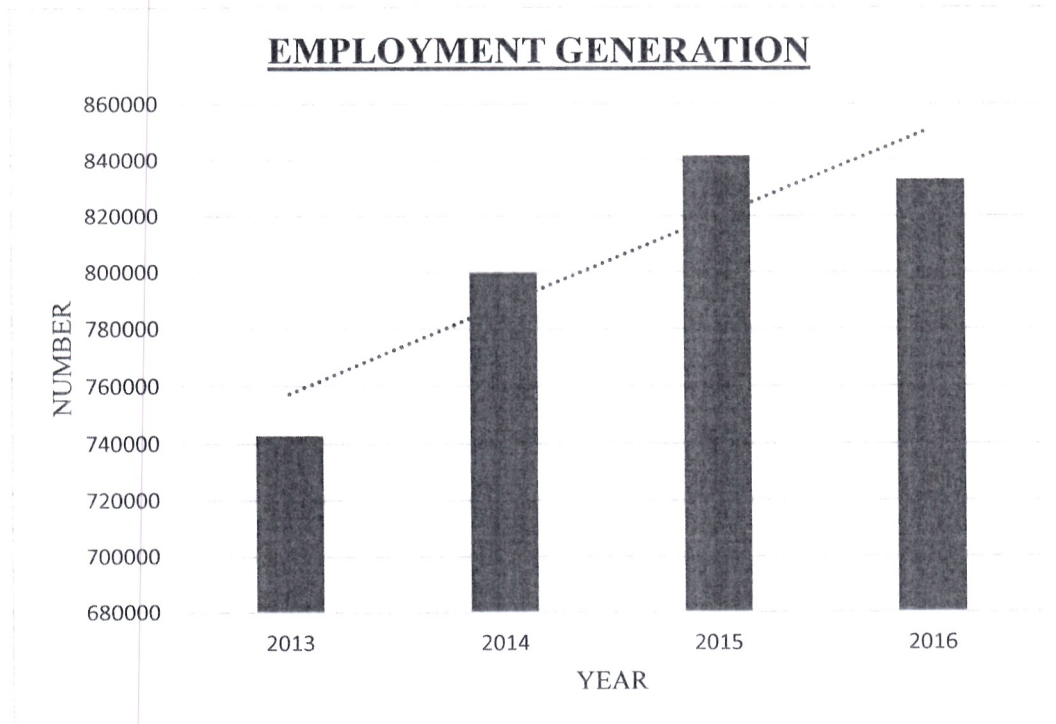
THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.8 per cent in 2016 compared to 5.6 per cent in 2015. This was above the average 1.4 per cent growth rate registered for sub-Saharan Africa. The sectors that registered significant improved performance in economic activities were; accommodation and food services; information and communication; real estate; and transport and storage. Persistent drought hampered growth in the fourth quarter of 2016 impacting negatively on agriculture and electricity supply.

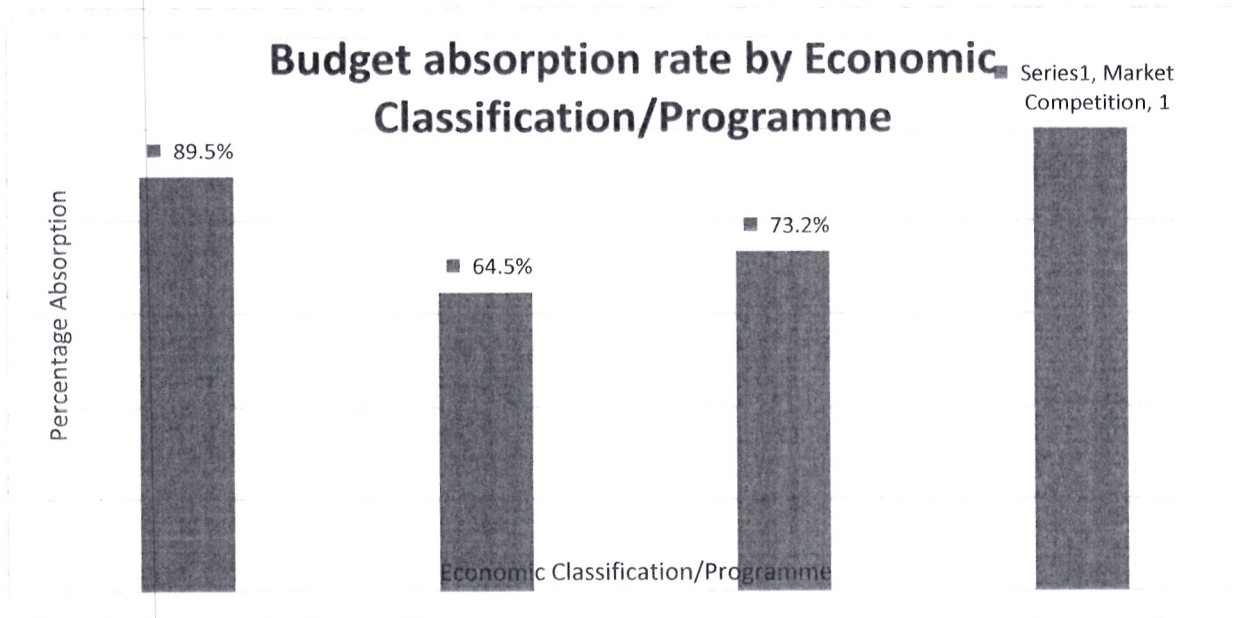
The annual inflation rate was 8.1% in June 2017 compared to 6.5% in the same period in June 2016. This was largely on account of high food prices following adverse weather conditions. The Kenya shilling exchange rate however continued to display relatively less volatility compared to the East African currencies while the official foreign exchange reserves held by the Central Bank grew to **US\$ 8,500 million** (5.7 month of import cover) in June 2017 from **US\$ 8,267 million** (5.4 months of import cover) in the same period in 2016. The economic growth and stable macroeconomic environment led to the creation of 832,900 new jobs in 2016 broken down into 85,600 jobs in the modern sector and 747,300 jobs in the informal sector. Cumulatively, the economy is estimated to have generated 3,217,200 new jobs between 2013-2016 as shown in the bar graph below:-

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017



In terms of budget performance, the National Treasury expenditure stood at **Kshs.35,563,916,019.00** against an approved budget of **Kshs.37,527,564,690.00** in Recurrent while Development expenditure stood at **Kshs.16,668,950,121.00** against an approved budget of **Kshs.21,527,884,302.00** giving an overall absorption rate of 88.5%. The National Treasury implemented the 2016/17 budget within four economic classification/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 the bar graph below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services (89.5%), Economic and Financial Policy Formulation and Management (73.2%) and Public Financial Management Programme at 64.5%.

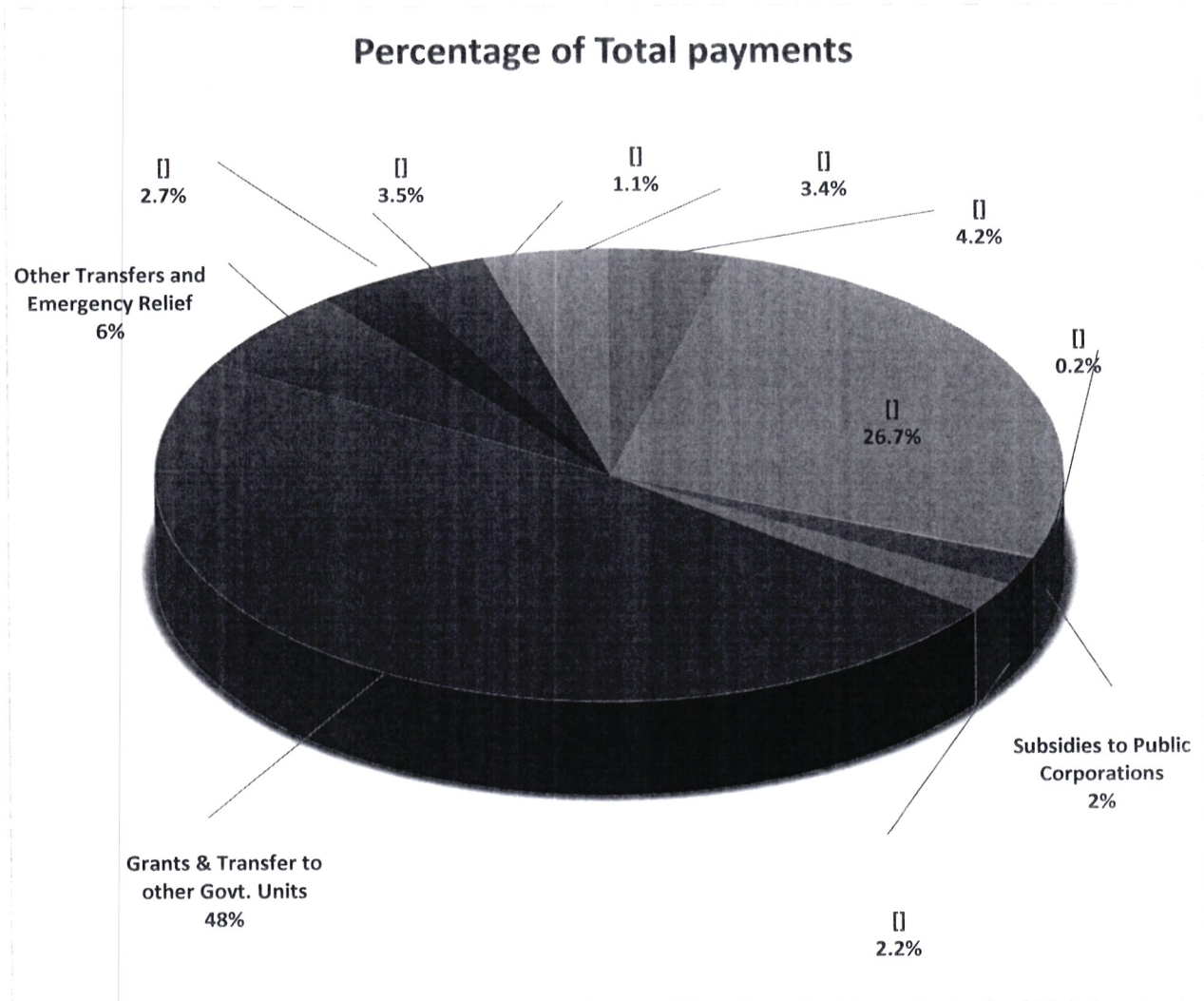
THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017



Utilisation of the budget was carried out through various activities as shown in the table below:

	Approved Budget Allocation	Actual Payments	Variance
Payments	KShs	KShs	KShs
Compensation of Employees	2,393,400,581.00	2,177,407,291.15	215,993,289.85
Social Contributions	0.00	0.00	0.00
Goods and Services	16,204,555,515.00	13,898,644,098.30	2,305,911,416.70
Routine Maintenance	121,383,364.00	89,824,691.10	31,558,672.90
Subsidies to Public Corporations	1,050,000,000.00	1,050,000,000.00	0.00
Grants and Other Transfers to International Organisations	1,283,656,005.00	1,150,831,076.15	132,824,928.85
Grants & Transfer to other Govt. Units	25,267,659,516.00	25,060,536,140.65	207,123,375.35
Other Transfers and Emergency Relief	3,710,329,340.00	3,152,942,824.75	557,386,515.25
Social Security Benefits	1,805,634.00	0.00	1,805,634.00
Budget contingency Reserve	0.00	0.00	0.00
Acquisition of Fixed Capital Assets	2,332,414,837.00	1,418,732,823.25	913,682,013.75
Domestic Lending and On-lending	2,015,000,000.00	1,850,000,000.00	165,000,000.00
Domestic Equity Participation	600,000,000.00	600,000,000.00	0.00
Foreign Equity Participation	4,075,244,200.00	1,782,536,438.00	2,292,707,762.00
Total Payments	59,055,448,992.00	52,231,455,383.35	6,823,993,608.65

Key Performance Highlights (Continued)



The Ministry's payments mainly comprise of Transfers to Other Government entities i.e. Projects, State Corporations, Semi-Autonomous Government Agencies (SAGAs) and employee compensation, subscriptions and acquisition of assets.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

Total Payment Breakdown

	Year to 30 th June 2017	Year to 30 th June 2016	Change	%
Payment	KShs	KShs	KShs	Change
Compensation of Employees	2,177,407,291.15	2,226,957,812.40	49,550,521.25	(2.2)
Social Contributions	0.00	0.00	0.00	0
Goods and Services	13,898,644,098.30	10,828,491,721.50	3,072,355,888.95	(28.4)
Routine Maintenance	89,824,691.10	217,510,677.30	127,685,986.20	58.7
Subsidies to Public Corporations	1,050,000,000.00	0.00	1,050,000,000.00	0
Grants and Other Transfers to International Organisations	1,150,831,076.15	154,303,947.45	996,527,128.70	645
Grants & Transfer To Other Govt. Units	25,060,536,140.65	25,341,007,430.65	280,471,290.00	(1.1)
Other Transfers and Emergency Relief	3,152,942,824.75	9,995,466,792.70	6,842,523,967.95	(68.4)
Social Security Benefits	0.00	0.00	0.00	0
Budget Contingency Reserve	0.00	5,000,000,000.00	5,000,000,000.00	(1000)
Acquisition of Fixed Capital Assets	1,418,732,823.25	2,333,505,123.40	914,772,300.15	(39.2)
Domestic Lending and On-lending	1,850,000,000.00	2,020,826,471.05	170,826,471.05	(8.4)
Domestic Equity Participation	600,000,000.00	375,000,000.00	225,000,000.00	60
Foreign Equity Participation	1,782,536,438.00	3,750,304,751.30	1,967,768,313.30	(52.4)
Total Payments	52,232,866,140.00	62,243,374,727.75	10,005,846,797.25	

The total payments for FY 2016/2017 stood at **Kshs. 52,232,866,140.00** representing an decrease from **Kshs.62,243,374,727.75** for FY 2015/2016.

The decrease in payments is attributable to a significant decrease in Transfers to Other Government entities i.e. Projects, State Corporations, Semi-Autonomous Government Agencies (SAGAs) and contingency reserves. Further, there was also a decrease in compensation of employees attributed to staff transferred from the Ministry and retirement.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

Financial Assets Summary

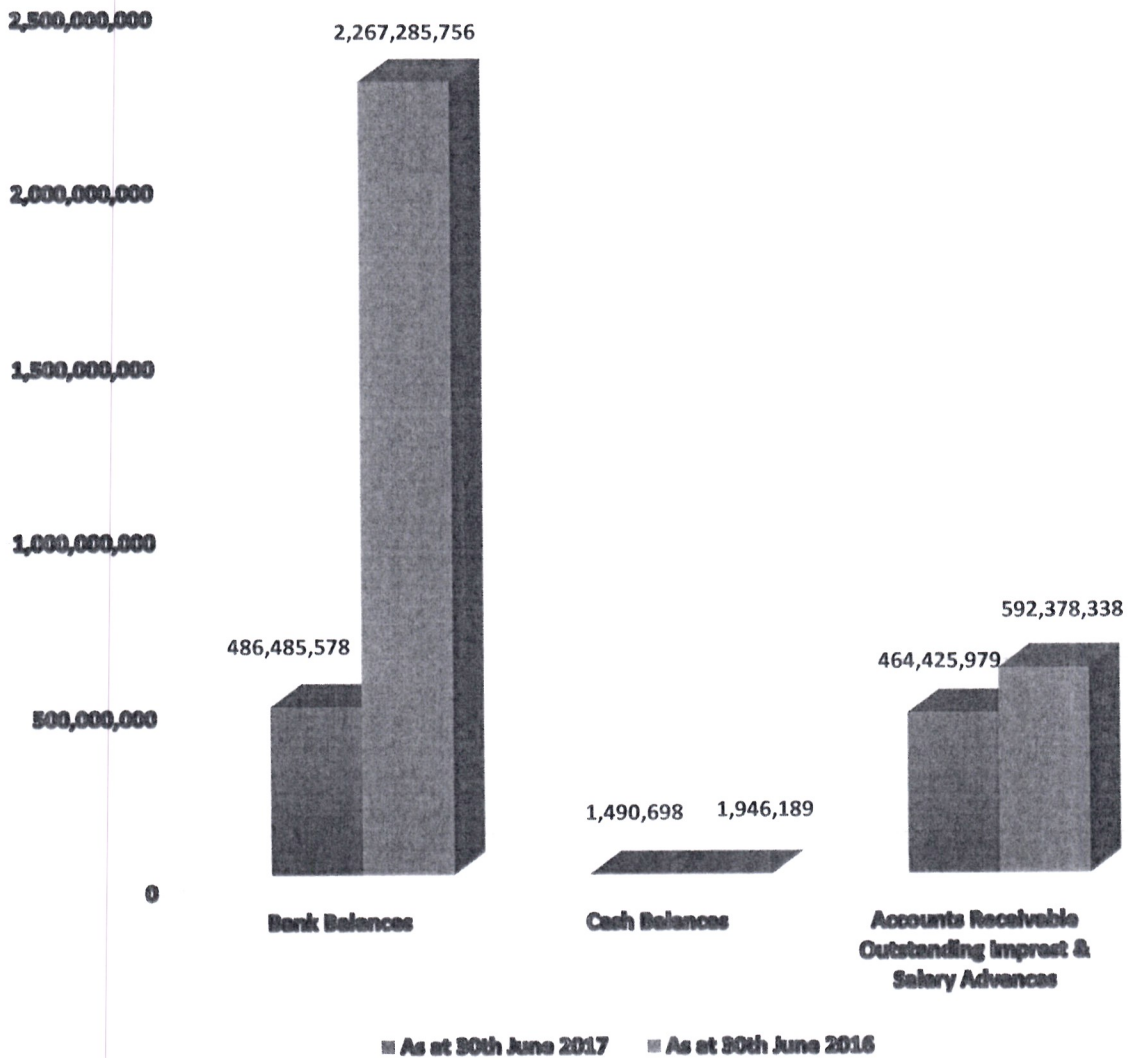
Financial Assets	As at	As at	Change	%
	30 th June 2017	30 th June 2016		
	KShs	KShs	KShs	Change
Bank Balances	1,781,246,794.00	2,267,285,756.00	486,038,962.00	(21.4)
Cash Balances	1,490,696.00	1,946,189.00	455,493.00	(23.4)
Accounts Receivables - Outstanding Imprest & Salary Advances	464,425,979	592,378,338.00	127,952,359	(21.6)
Total Financial Assets	2,247,163,469.00	2,861,610,283.00	614,446,446,814.00	

Bank balances decreased by 21.4% as a result of decreased deposits held in our Deposit Bank Account.

Cash balances declined by 23.4% due to increased cash related transactions at the year-end. There is also a decline in accounts receivables by 21% as a result of prompt accounting for imprest advance by the imprest holders and funds released to projects.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

Total Financial Assets in Kshs



Cash Flows and Cash Position

The cash and bank balances held by the Ministry as at 30th June 2017 was **Kshs.1,782,737,490/=** compared to **Kshs.2,269,231,945.00** held as at 30th June 2016.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of **Kshs.302.2 billion** in 2016/2017 up from **Kshs.275.1 billion** in 2015/2016. Since their establishment in March 2013, County Governments have received more than **Kshs.1 trillion** from the National Government. The National Treasury submitted to Parliament the Equalization Fund Appropriations bill which has since been enacted and further conducted public participation to identify projects to be implemented under this fund. In addition the National Treasury trained over 800 officers from County Governments on Public Financial Management in 2016/17.

Other key achievements during the period under review are;

- The National Treasury launched the M-Akiba Mobile Platform for issuance of Government Bonds on 23rd March 2017. The special limited offer achieved its **Kshs.150 million** target within 13 days. With 102,632 registrations, this offer demonstrated the appetite and zeal of Kenyans to adopt and use technology to boost their well-being. M-Akiba will enhance a savings culture among Kenyans and promote financial inclusion even to the unbanked population.
- The National Treasury mobilized external resources amounting to **Kshs.292.8 billion** in 2016/17 which was above the fiscal target of **153.0 billion**. This positive variance is mainly attributed to capacitating the economy to mitigate against the drought related challenges that affected the country.
- The National Treasury was able to prepare the 2017/18 budget under a revised tight calendar that took into account the preparations of the 2017 General Elections. In addition, the National Treasury also prepared a Pre- Election Economic and Fiscal Report which was published as provided for in the Constitution.
- In its commitment to deepen the Financial Markets the Ministry finalized the Nairobi International Financial Centre Bill that was subsequently approved by Parliament.
- The National Treasury hosted the 2nd High Level Meeting on Global Partnership on Economic Development Conference in Nairobi from 28th November to 1st December 2016, where ministers and high level representatives of developing and developed countries as well as heads of multilateral and bilateral development agencies committed to effective development cooperation as a means to achieve the universal Sustainable Development Goals (SDGs).

Some of the challenges the National Treasury faced while implementing the 2016/17 budget include:-

1. Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
2. Inadequate funds to finance all the programmes and projects of the National Treasury.
3. Low absorption of Official Development Assistance (ODA).
4. Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.
5. High turnover of staff especially in the core technical areas of the National Treasury.

**THE NATIONAL TREASURY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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

1. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
2. Implement reforms in public financial management to enable the government mobilize adequate financial resources.
3. Strengthen capacity building in public financial management to MDAs and County Governments to ensure that the high expectations linked to devolution are met.
4. Enhance 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.
5. Promote the Public Private Partnership initiatives to finance government capital projects.
6. Engage other developments partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
7. Implement the External Resources Policy for efficient management of external resources and increase absorption.
8. Fast track and implement the proposed new scheme of service for the National Treasury officers to retain staff.
9. Ensure constant collaboration between the National Treasury and all the Stakeholders.
10. Strengthen monitoring and evaluation framework.



**HENRY K. ROTICH, EGH
CABINET SECRETARY**

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

1. 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 *Principal Secretary* for the National Treasury and the Senior Assistant Accountant General for ***the Consolidated Fund Services – Pension and Gratuities are*** responsible for the preparation and presentation of the Pension Fund's financial statements, which give a true and fair view of the state of affairs of the Pension Fund for Asian officers Family Pension Fund and as at the end of the financial year ended on June 30, 2017.

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 *Principal Secretary* for the National Treasury and the Senior Assistant Accountant General for ***the Consolidated Fund Services – Pension and Gratuities*** accept 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.

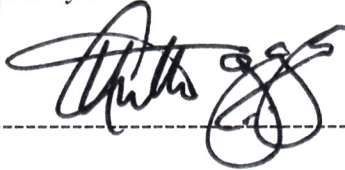
The *Principal Secretary* for the National Treasury and the Senior Assistant Accountant General for ***the Consolidated Fund Services – Pension and Gratuities are*** of the opinion that the Pension Fund's financial statements give a true and fair view of the state of Pension Fund's transactions during the financial year ended June 30, 2017, and of the Pension Fund's financial position as at that date. The *Principal Secretary* for National Treasury and the Senior Assistant Accountant General for ***the Consolidated Fund Services – Pension and Gratuities*** further confirm 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 *Principal Secretary* for the National Treasury and the *Pension Fund for the Consolidated Fund Services – Pension and Gratuities* confirm that the Pension Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Pension Fund funds received during the financial year under audit were used for the eligible purposes, for which they were intended and were properly accounted for.

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

Approval of the Pension Fund financial statements

The Pension Fund financial statements were approved by the *Principal Secretary* for the National Treasury and the Senior Assistant Accountant General for *the Consolidated Fund Services – Pension and Gratuities* on 29/9/17 2017 and signed by them.



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/17
DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK. 9262

29/9/17
DATE

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON CONSOLIDATED FUND SERVICES - PENSION AND GRATUITIES FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Consolidated Fund Services-Pension and Gratuities set out on pages 20 to 27, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effects 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 Consolidated Fund Services-Pension and Gratuities as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Pension Payables

The statement of financial assets and liabilities reflects accounts payables of Kshs.3,243,545,200. Included in the accounts payables is Kshs.785,603,571 being pensions returned to the department's bank account from various banks since the payee's accounts were not credited. Further an amount of Kshs.395,604,287.62, being part of returned pension in the previous years was paid during the year under review. Thus, the net of the returned pension during the year was Kshs.389,999,284. Thus the closing balance of returned pensions as at 30 June 2017 increased to Kshs.3,243,545,200 from the previous year balance of Kshs.2,853,521,960. The

Report of the Auditor-General on the Financial Statements of Consolidated Fund Services – Pension and Gratuities for the year ended 30 June 2017

balance is not supported by schedules showing details such as names of pensioners, the pension numbers, and amounts owed to each Pensioner. It was therefore, not possible to establish the validity of the outstanding balance of Kshs.3,243,545,200.

2. Cash and Cash Equivalent

a) Bank Balance

The Statement of Financial Assets and Liabilities reflects a credit cash and cash equivalent balance of Kshs.633,366,137. The Cashbook balance, bank reconciliation and board of survey report reflects a debit balance of Kshs.11,437,908 as at 30 June 2017. This has led to a difference between the cash book balance and cash and cash equivalent balance of Kshs.644,804,045 which has not been explained or reconciled and, the properly reconciled closing balance reflected in the statement of asset and liability. The credit balance of Kshs.633,366,137 can therefore not be confirmed.

b) Bank Reconciliation Statement

i) Payments in Cash Book not in the Bank Statement

Bank reconciliation statement reflects payments in the Cashbook not in the Bank Statement of Kshs. 633,058,933. Some of the payments in the cash book that have not cleared in the bank are dated as back as 2014. No valid reason has been provided as to why the payments have not cleared through the bank system.

ii) Receipts in Bank not in Cash Book

The bank reconciliation as at 30 June 2017 reflects receipts in bank statement not posted to the Cashbook totalling Kshs. 450,762,272.75. Some of the receipts in the bank statement that have not been recorded in the cashbook dates as far back as November 2011. No reason has been provided by management as to why the receipt in the bank have not been recorded in the cashbook.

iii) Receipts in Cashbook not in the Bank Statement

The bank reconciliation statement as at 30 June 2017 reflects receipts in the cashbook not recorded in the bank statement of Kshs.103,104,394. Some of the receipts that have remained outstanding in cash book date as far back as August 2007. Management have not provided any explanation as to why the receipts that have remained outstanding in the cashbook have not been cleared.

The accuracy of cash and cash equivalent credit balance of Kshs.633,366,137, reflected in the statements of assets and liabilities could not be ascertained due to un-reconciled balances and unexplained long outstanding bank reconciliation items.

3. Irregular Payment of Pension

In the statements of receipts and payments for the period under considerations, payment of pension of Kshs. 59,757,695,779 was made. Included in this expenditure is civil pension of Kshs.22,901,547,520 as indicated in Note 8.2 to the financial statement. An examination of pension payments revealed that an amount of Kshs.1,306,966,518 was paid to retired teachers during the financial year 2016/2017 without being properly supported by documents such as the last pay slips as required by Pension Act 189, Section 10 (1) for proof that the payees were once teachers. The Management has not explained the basis of calculating the pensions and why the payments were made without adherence to the laid down pension payment procedures. Therefore, the payment of civil pension of Kshs.22,901,547,520 cannot be confirmed correct.

4. Military Gratuity

The statement of receipts and payment reflect payment of pension of Kshs.59,757,695,779 during the year under consideration. Included in the payment is military gratuity of Kshs. 4,562,597,165 which is overstated by Kshs.86,584,111. It has not been explained as to why there was overstatement and subsequent overpayment of Kshs.86,584,111.

5. Unsupported Expenditure

The statement of receipts and payment reflect payment of ordinary pension of Kshs.34,074,626,471 and as supported by Note 8.2. Included in ordinary pension of Kshs. 34,074,626,471 is pension Kshs. 58,656,973 paid to Asian and European Pensioners who retired due to Africanization of public sector after independence in 1963. Their life certificates were not availed as required by the pension internal controls to confirm that the pensioners are still a life before payments were effected. The propriety of the expenditure could not, therefore, be confirmed.

6. Excess Expenditure

The Statement of Receipts and Payments reflects an over expenditure of Kshs.1,270,093,379 for the year ended 30 June 2017. The excess expenditure over the receipts for the year was funded from returned pension. However, the returned pension should be receipted in a deposit account awaiting the payment of claims from the respective pensioners.

Previous Year's Matters

The Management has also not responded satisfactorily to the issues for the previous years which are highlighted below.

1. Un-supported Clearance of Prior Year Adjustment

The statement of financial assets for the year 2015/2016 shows a prior year adjustment of Kshs.297,889,272.00 under the comparative balances for the financial

year 2014/2015. The amount was cleared during the period 2015/2016 but the transaction was not supported or explained. The balance was cleared without following the requirement of the Public Financial Management Act 2012, and the financial statement may not therefore have presented fairly the financial position as at 30 June 2016.

Other Matter

1. Failure to Submit Audited Parliamentary Pension Accounts

During the period under review, Civil and Commuted pension of Members of Parliament of Kshs.182,438,610 and 11, 2238,732 respectively were paid to the retiring/retired members of parliament. The audited Parliamentary Pensions Accounts were not submitted before payments were made as required by the Parliamentary Pension Act Cap 196, Section 21 (1) and (2). It was therefore not possible to confirm the validity and accuracy of the expenditure incurred.

2. Weak Payroll Internal Controls

Examination of the pension records reviewed revealed the following weaknesses;

- Validity of the pension paid is not confirmed with the retiree data from other government agencies' databases such as registrar of persons for identification data, KRA for PIN number and IPPD for employment details.
- Military personal files from the department of Defence are not submitted to the pension department to enable verification of the retirement claim details and basis of pension computation.
- Live certificates for pensioners are not availed to confirm pension is not paid to deceased pensioners. Due to weak internal controls in the department, this may lead to irregular payments of pension to non-existence pensioners.

There are weak controls which could lead to irregular payments of pension.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Consolidated Fund Services- Pension and Gratuities in accordance with ISSAI 30 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described

in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's 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 sustainability of services 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 Fund'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 Fund 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 Fund 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

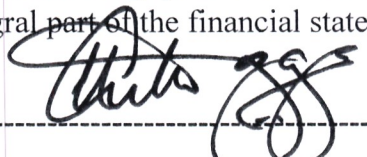
02 July 2018

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
30TH JUNE, 2017

	Note	2017	2016
		Kshs	Kshs
Transfer from Government entities	8.1	58,487,602,400	50,860,000,000
Total receipts		58,487,602,400	50,860,000,000
PAYMENTS			
Payment of Pensions	8.2	59,757,695,779	51,250,699,446
TOTAL PAYMENTS		59,757,695,779	51,250,699,446
SURPLUS/DEFICIT FOR THE YEAR		(1,270,093,379)	(390,699,446)

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



DR KAMAU THUGGE, CBS
Principal Secretary

.....
 29/9/17
 DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK. 9262

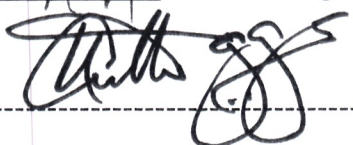
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THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

4. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2017

	Note	2017 Kshs	2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.3	(633,366,137)	246,703,998
Accounts Receivables		-	-
TOTAL FINANCIAL ASSETS		(633,366,137)	246,703,998
LESS FINANCIAL LIABILITIES			
Accounts Payables	8.4	3,243,545,204	2,853,521,960
NET FINANCIAL ASSETS		(3,876,911,341)	(2,606,817,962)
PRESENTED BY			
Fund Balance B/FWD	8.5	(2,606,817,962)	(2,216,118,516)
Surplus /Deficit for the year		(1,270,093,379)	(390,699,446)
Net Financial Position		(3,876,911,341,)	(2,606,817,962)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29/9/17 2017 and signed by:



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/17
DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK. 9262

29/9/17
DATE

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

5. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2017*

	Notes	2017 Kshs	2016 Kshs
Receipts for operating income			
Transfers from other Government Entities	8.1	58,487,602,400	50,860,000,000
Payments for operating expenses			
Payment of Pensions	8.2	<u>59,757,695,779</u> <u>(1,270,093,379)</u>	<u>51,250,699,446</u> <u>(390,699,446)</u>
Adjusted for:			
Changes in receivables			
Changes in payables		390,023,244	553,240,751
Net cash flow from operating activities		<u>(880,070,135)</u>	<u>162,541,305</u>
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net cash flows from Investment activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		<u>(880,070,135)</u>	<u>162,541,305</u>
Cash and cash equivalent at Beginning of the year		246,703,998	84,162,693
Cash and cash equivalent at End of the year		(633,366,137)	246,703,998

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 29/9/ 2017 and signed by:



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/17
DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK. 9262

29/9/17
DATE

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/ Payments Item	Original Budget Kshs	Adjustments Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Variance Kshs	% Variance
	a	b	c=a+b	d	e= c- d	f=d/c %
Receipts						
Exchequer Receipts	55,691,127,200	5,000,000,000	60,691,127,200	58,487,602,400	2,203,524,800	96%
Total Receipts	55,691,127,200	5,000,000,000	60,691,127,200	58,487,602,400	2,203,524,800	96%
Payments						
Ordinary Pension	26,871,027,200	1,000,000,000	27,871,027,200	34,074,626,472	(6,203,599,272)	122%
Commuted Pension	28,558,000,000	4,000,000,000	32,558,000,000	25,673,150,039	6,884,849,961	78.9%
Other Pensions	262,100,000	-	262,100,000	9,919,268	252,180,732	3.8%
Total Payments	55,691,127,200	5,000,000,000	60,691,127,200	59,757,695,779	933,431,421	98.5%
NET TOTAL				1,270,093,379	1,270,093,379	

Notes

- The variance of the ordinary pension was due to the returned pension which is paid from the ordinary pensions account.
- The variance of commuted pension was due to the unpaid TSC court cases.
- Other pension was as a result of not reimbursing dependant residing in UK through Crown Agent.



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/17
DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK.9262

29/9/17
DATE

7 .SIGNIFICANT ACCOUNTING POLICIES

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

(i) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Pension Fund and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Project.

(ii) Recognition of revenue and expenses

The Project recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

(iii) In-kind donations

In-kind donations are contributions made to the Project 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

(iv) 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. For the purposes of these financial statements, cash

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year/period.

(v) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

(vi) Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

(vii) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

(viii) Comparative figures

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

(ix) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

11. NOTES TO THE FINANCIAL STATEMENTS

8.1 RECEIPTS FROM GOVERNMENT OF KENYA

Transfer from Government entities		
These represent counterpart funding and other receipts from government as follows:		
	2017	2016
	Kshs	Kshs
Counterpart funds Quarter 1	14,043,602,400	9,400,000,000
Counterpart funds Quarter 2	14,490,000,000	11,995,000,000
Counterpart funds Quarter 3	10,622,000,000	10,912,100,000
Counterpart funds Quarter 4	19,332,000,000	18,552,900,000
	58,487,602,400	50,860,000,000

8.2. PAYMENT OF PENSIONS

	2017	2016
	Kshs	Kshs
ORDINARY PENSIONS		
Civil pension	22,901,547,520	19,503,027,865
Military Pension	4,158,194,689	3,483,652,322
Emergency Pension	-	-
Widows, children and pension dependants	6,800,765,652	5,566,656,667
Ex-gratia pension	-	-
Civil pension -MPS	182,438,610	185,148,263
Civil pension -President	31,680,000	31,680,000
	<u>34,074,626,471</u>	<u>28,770,165,117</u>
COMMUTED PENSION (LUMPSUM)		
Commuted pension and gratuity	19,459,772,367	17,937,184,560
Military gratuity	4,562,597,165	2,272,889,968
Civil gratuity	1,639,541,776	1,195,249,583
Commuted pensions -MPs	11,238,732	43,535,606
Commuted pensions -President	-	-
	<u>25,673,150,040</u>	<u>22,448,859,717</u>
OTHER PENSION SCHEMES		
Refunds and other ex-gratia allowances	9,919,268	7,247,352
Payment to Crown Agents	-	24,427,260
	<u>9,919,268</u>	<u>31,674,612</u>
Grand Total	<u>59,757,695,779</u>	<u>51,250,699,446</u>

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. Bank Accounts (ledger)

	2017 Kshs	2016 Kshs
<u>Local Currency Accounts</u>		
Central Bank of Kenya	(633,366,137)	246,703,998
Total Cash and Cash Equivalents	(633,366,137)	246,703,998
Total bank account balances	(633,366,137)	<u>246,703,998</u>

8.4. Payables

Re-credited cheques	3,243,545,204	2,853,521,960
	3,243,545,204	2,853,521,960

8.5. Fund Balance B/F

	2017 KSHS	20152016 KSHS
Bank	246,703,998	84,162,693
Account payable	(2,853,521,960)	(2,300,281,209)
	(2,606,817,962)	(2,216,118,516)

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Difference of Kshs2,815,162.70	The figure in question was journalized properly in the ledger in the month of February, 2016. The entry disputed was auto-posted in the Trial balance.	Shem Nyakutu Director Pensions	Resolved	
2.0	Unsupported payment of crown agent	A payroll to show the payment of Ksh. 24,427,260.00 for pensioners' residing in UK is provided.	Shem Nyakutu Director Pensions	Resolved.	
3.0 (i)	Bank Balance	The bank balance of Ksh.246,703,998 was reconciled with the cashbook balance at 30 th June, 2016, and the reconciliation availed for audit review	Shem Nyakutu Director Pensions	Resolved	
a)	Payment in cashbook not in bank statement	An amount of Ksh.979,009,639.50 has been cleared as per April, 2017 Bank reconciliation. Balance to be cleared in subsequent months.	Shem Nyakutu Director Pensions	partially resolved	By the end of this financial year.
c)	Payment in Bank Statement not in Cashbook	An amount of Ksh.31,119,224.70 has been cleared as per April, 2017 Bank Reconciliation. Balance to be cleared in subsequent months	Shem Nyakutu Director Pensions	Resolved partially	In the subsequent months

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2017

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)
d)	Receipt in Cashbook not in Bank statement	An amount of Ksh 46,135,882.20 has been cleared as per April, 2017 Bank Reconciliation. Balance to be cleared subsequent months	Shem Nyakutu Director Pensions	Resolved partially	In the subsequent months
4.1	Re-credited Cheques - Kshs 2,853,521,960.00	The increase is due to identification of dependants, dependants take to long to report death of pensioners and increase of pensioners' pension after every two years.	Shem Nyakutu Director Pensions	Not resolved	
4.2	Deposit bank account	Schedules of returned pension provided. Return pension goes back to the account that pays pensioners.	Shem Nyakutu Director Pensions	Resolved	
5.0	Fund to Public Trustee	The role of Treasury ends when we transmit money to the Public Trustee.	Shem Nyakutu Director Pensions	Not resolved	

Guidance Notes:

- (i) Informing pensioners through mail in case of problem and advertising through media
- (ii) Ministry has set up service points at Huduma centres countrywide to sensitise pensioners at grassroots.
- (iii) Pension claim forms and especially pay point forms has been redesigned to include mobile phone numbers for quick conducts.



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/17
.....
DATE



GEORGE K. GICHURU
Senior Deputy Accountant General
ICPAK. 9262

29/9/17
.....
DATE