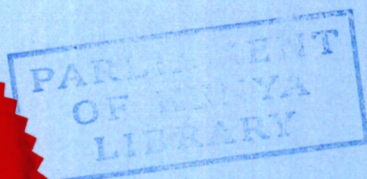


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Paper laid  
by Lori  
Tuesday 17/4/2018*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
CONTINGENCIES FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**



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## **THE NATIONAL TREASURY**

### **Financial Statements for Contingencies Fund Account**

**For the Financial Year ended 30<sup>th</sup> June 2017**

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

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## 1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

### 1.1 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.

### 1.2 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;

- 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.

### **1.3 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.

### **1.4 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 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

#### **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

### **1.5 Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

The National Treasury  
 Financial Statements for the Contingencies Fund  
 For the Financial Year ended 30<sup>th</sup> June 2017

<b>NO.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	Dr. Kamau Thugge, CBS
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 Ndooho
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
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 Ateg

## **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.

### **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.

## 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, 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- Sahara 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.

Key achievements during the period under review are;

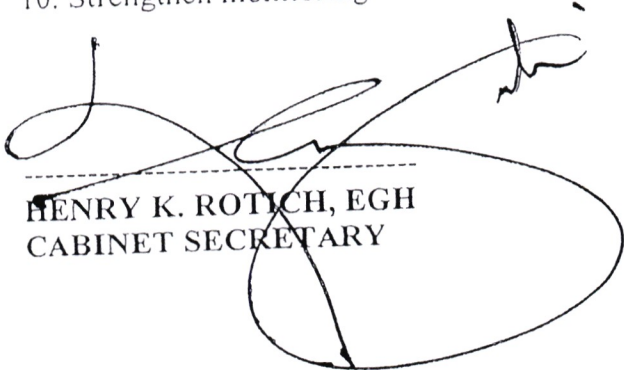
- The National Treasury launched the M-Akiba Mobile Platform for issuance of Government Bonds on 23<sup>rd</sup> March 2017. The special limited offer achieved its **Kshs.150 million** target within 13 days. With 102,632 registrations, this offer demonstrated the appetite and zeal of Kenyans to adopt 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.

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.

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

## II. CONTINGENCY FUND INFORMATION AND MANAGEMENT

### (a) Background Information

This report therefore covers the operations of the Contingency Fund for the financial year ended 30<sup>th</sup> June 2017. The Contingency Fund is administered under The National Treasury.

The National Treasury was established via the Executive Order No. 2 of May 2013 and the basis of its establishment 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. The vision, mission and core values of the National Treasury is provided below:

- **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.

- **Establishment of the Fund**

The Contingencies Fund is established pursuant to Article 208 of the Constitution of Kenya and requires it to be operated in accordance with an Act of Parliament. The fund is set up for purposes of meeting an urgent and unforeseen need for expenditure for which there is no other authority.

Section 19 of the PFM Act, 2012, the Contingency Fund shall consist of monies appropriated from the Consolidated Fund by an appropriation Act in any financial year. Section 20 (2) of the PFM Act, 2012, specifies that the permanent capital of the Contingencies Fund shall not exceed ten billion shillings (Kshs 10 billion) or such other amount as may be prescribed by the Cabinet Secretary with the approval of Parliament.

• **Administration of the Fund**

The Cabinet Secretary, National Treasury has been designated to administer the Contingencies Fund pursuant to Section 20 of the PFM Act, 2012 and further requires the Cabinet Secretary, National Treasury to keep the Contingencies Fund in a separate account, maintained at the Central Bank of Kenya and to pay into that account all monies appropriated to the Contingencies Fund by an appropriation Act. The Cabinet Secretary may make advances from the Contingencies Fund if satisfied that an urgent and unforeseen need for expenditure has arisen for which there is no specific legislative authority pursuant to Section 21 of the PFM Act, 2012.

Further, Section 50 of the PFM regulations (National Government), 2015 requires an Accounting Officer to, before applying for financing from the Contingencies Fund, ascertain that there are no savings within his or her vote and the need meets the criteria set under section 21 of the Act. The Cabinet Secretary shall then, consider the request and assess and may approve it or reject it.

The National Treasury is required to prepare and submit to the Auditor-General financial statements for that year in respect of the Contingencies Fund not later than three months after the end of each financial year pursuant to Section 23 of PFM Act, 2012.

**(b) Key Management of the Fund**

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

	<b>Designation</b>	<b>Name</b>
	Principal Secretary	Dr. Kamau Thugge, CBS
	The Administrator	Bernard Ndungu, MBS

**(c) The National Treasury Headquarters**

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

**(d) The National Treasury Contacts**

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

**(e) The National Treasury Bankers**

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

**(f) Independent Auditors**

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

**(g) Principal Legal Adviser**

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

### III. STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

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

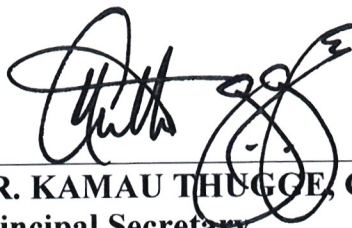
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Contingencies Fund report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the Fund by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Contingencies report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Contingency Fund performance during the financial year ended 30<sup>th</sup> June, 2017. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for Contingency Fund, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of The National Treasury confirms that the National Treasury has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### Approval of the Financial Statements

The Contingencies Fund was approved and signed on <sup>12<sup>th</sup> March</sup> 2018 by the following:



**DR. KAMAU THUGGE, CBS**  
Principal Secretary  
The National Treasury



**BERNARD NDUNGU, MBS**  
Director General Accounting Services  
and Quality Assurance  
The National treasury

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON CONTINGENCIES FUND FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of the Contingencies Fund set out on pages 14 to 21, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Contingencies Fund as at 30 June 2017, and 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 Public Finance Management Act, 2012.

Further, as required by Article 229(6) of the Constitution, 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Contingencies Fund 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 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.

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*Report of the Auditor-General on the Financial Statements of Contingencies Fund for the year ended 30 June 2017*

## **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 Fund'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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

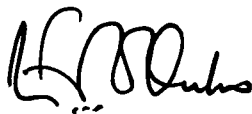
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 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 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 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's 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**

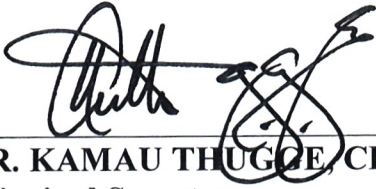
**Nairobi**


**13 February 2018**

**V. RECEIPTS AND PAYMENT STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

		2016/2017	2015/2016
	Notes	Kshs	Kshs
<b>Receipts</b>			
Receipts from The National Treasury	1	-	5,000,000,000
Refund from State Department for Special Programmes.	1	1,080,986,145	-
<b>Total Receipts</b>		<b>1,080,986,145</b>	<b>5,000,000,000</b>
<b>Transfers from the Contingencies Fund</b>			
Advance to State Department for Special Programmes.	2	1,080,986,145	-
<b>Total transfers</b>		<b>1,080,986,145</b>	<b>-</b>
<b>Surplus for the year</b>		<b>-</b>	<b>5,000,000,000</b>

The notes on pages 18 to 21 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 12<sup>th</sup> March 2018 by the following:

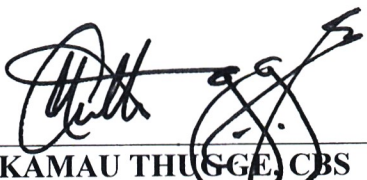
  
 DR. KAMAU THUGOE, CBS  
 Principal Secretary  
 The National Treasury

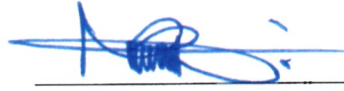
  
 BERNARD NDUNGU, MBS  
 Director General Accounting Services  
 and Quality Assurance  
 The National treasury

**VI. STATEMENT OF ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2017**

	Note	2016/2017 Kshs	2015/2016 Kshs
<b>Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	3	7,000,000,000	7,000,000,000
<b>Total Cash and Cash Equivalents</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>
<b>Accounts Receivables</b>			
Outstanding Imprests		-	-
<b>Total Financial Assets</b>		<b>7,000,000,000</b>	<b>7,000,000,000</b>
<b>Financial Liabilities</b>			
Accounts Payables – Deposits And Retentions		-	-
<b>Net Financial Assets</b>		<b>-</b>	<b>-</b>
<b>Represented By</b>			
<b>Fund Balance B/Fwd</b>	4	<b>7,000,000,000</b>	<b>2,000,000,000</b>
Surplus for the year		-	5,000,000,000
<b>Net Financial Position</b>	5	<b>7,000,000,000</b>	<b>7,000,000,000</b>

The notes on pages 18 to 21 form an integral part of these financial statements. This statement has been reviewed and approved on... 12<sup>th</sup> Nov... 2018 by the following:

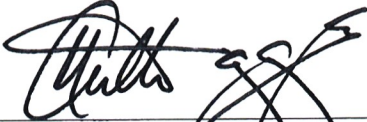
  
 DR. KAMAU THUSGE, CBS  
 Principal Secretary  
 The National Treasury


  
 BERNARD NDUNGU, MBS  
 Director General Accounting Services  
 and Quality Assurance  
 The National treasury

**VII. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

		2016/2017	2015/2016
		Kshs	Kshs
<b>Receipts for Operating Income</b>			
Receipts from The National Treasury	1	-	5,000,000,000
Refund from State Department of Special Programmes	1	1,080,986,145	-
<b>Payments and advances</b>			
Advance to State Department of Special Programmes	2	(1,080,986,145)	-
<b>Net Cash Flow from Operating Activities</b>		-	<b>5,000,000,000</b>
<b>Cash flow from Investing Activities</b>		-	-
<b>Cash flow from Borrowing Activities</b>		-	-
<b>Cash and cash equivalents at the beginning of the year</b>	4	<b>7,000,000,000</b>	<b>2,000,000,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>		-	<b>5,000,000,000</b>
<b>Cash and Cash Equivalent at the end of the Year</b>	3	<b>7,000,000,000</b>	<b>7,000,000,000</b>

The notes on pages 18 to 21 form an integral part of these financial statements. This statement has been reviewed and approved on 12<sup>th</sup> March 2018 by the following:

  
 DR. KAMAU THUGGE, CBS  
 Principal Secretary  
 The National Treasury

  
 BERNARD NDUNGU, MBS  
 Director General Accounting Services  
 and Quality Assurance  
 The National treasury

**VIII. COMPARISON OF BUDGET VERSUS ACTUAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017**

The following statement summarizes the outturn against budget:

	Original Estimates	Adjustments	Revised Estimates	2016/2017	Deviations
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Receipts</b>					
The National Treasury	5,000,000,000	(5,000,000,000)	-	-	-
<b>Sub-total</b>	<b>5,000,000,000</b>	<b>(5,000,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>					
Transfer to other Government Agencies	-	-	-	1,080,986,145	-
<b>Total Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,080,986,145</b>	<b>-</b>

The Fund did not receive any amount during the financial year 2016/2017 by way of a budgetary provision under the National Treasury development budget compared to Kshs 5.0 billion received in the financial year 2015/2016. The budgetary provision of Kshs 5 Billion in the initial estimates was removed during the supplementary budget, as the balance in the Contingency Fund account of Kshs 7 Billion was considered adequate to handle any emergencies. An amount of Kshs 1,081 Million was advanced to State Department for Special Programmes. This was fully refunded by the Year end. There were no disbursements during the financial year 2015/2016.

## **IX. Significant Accounting Policies**

### **a) Basis of preparation**

The financial statements of the Contingencies Fund has been prepared in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) Cash based standard as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

### **b) Reporting entity**

The Cabinet Secretary, National Treasury has been designated as the Administrator of the Contingencies Fund, pursuant to Section 20 of the PFM Act, 2012. Accordingly, the reporting entity is the National Treasury.

### **c) Receipts**

Receipts consist of monies appropriated from the Consolidated Fund by an appropriation Act in any financial year. Receipts are recognized when cash is received in the Contingencies Fund.

### **d) Payments and transfers**

Pursuant to Section 21 of the PFM Act, 2012, the Cabinet Secretary may make advances from the Contingencies Fund if satisfied that an urgent and unforeseen need for expenditure has arisen for which there is no specific legislative authority. Section 50 of the PFM (National Government) regulations, 2015 requires an accounting officer to, before applying for financing from the Contingencies Fund, ascertain that there are no savings within his or her vote and the need meets the criteria set under section 21 of the Act. The Cabinet Secretary shall then, consider the request and assess and may approve it or reject it.

Payment is recognized when actual cash is paid out of the Contingencies Fund.

### **e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand, bank balances, un-surrendered imprests and short term deposits in money market instruments.

### **f) Presentation Currency**

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

## X. NOTES TO ACCOUNTS

### 1. Receipts

The following is an analysis of the receipts received into the Contingencies Fund:

Description	2016/2017 Kshs	2015/2016 Kshs
Transfer from The National Treasury	-	5,000,000,000
		-
<b>Total Receipts</b>	<b>-</b>	<b>5,000,000,000</b>

### 2. Advances from the Fund

The National Treasury did not advance any Funds in financial year 2015/2016. An amount of Kshs. 1,080,986,145 was advanced to State Department for Special programmes during the financial year 2016/2017 as analyzed below.

Date	Payee	Purpose	2016/2017 Amount KShs	2015/2016 Amount KShs
31.01.2017	Relief Food Suppliers	Relief Food	981,901,383.15	-
31.01.2017	Transport Suppliers	Transport and logistics	99,097,859.05	-
	<b>Total Payments</b>		<b>1,080,986,145</b>	<b>-</b>

### 3. Bank balance

The bank balance as at 30<sup>th</sup> June 2017 amounted to Kshs 7.0 billion compared to Kshs 7.0 billion in the previous year.

Description	2016/2017 Kshs	2015/2016 Kshs
Bank Account No. 1000183233	7,000,000,000	7,000,000,000
<b>Total Receipts</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>

#### 4. Fund balance B/Forward

The opening balance as at 1<sup>st</sup> July 2016 represents accumulated bank balances of the Fund that amounted to Kshs 7.0 billion compared to Kshs 2.0 billion balance for the previous year.

Description	2016/2017 Kshs	2015/2016 Kshs
Bank Account No. 1000183233 at CBK	7,000,000,000	2,000,000,000
<b>Total Receipts</b>	<b>7,000,000,000</b>	<b>2,000,000,000</b>

#### 5. Closing Balance

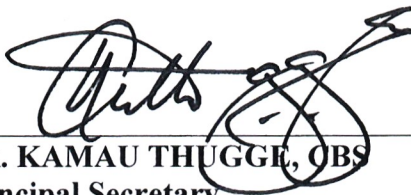
The closing balance as at 30<sup>th</sup> June 2017 amounted to Kshs 7.0 billion while the closing balance as at 30<sup>th</sup> June 2016 amounted to Kshs 7.0 billion as reflected in the bank account of the Fund:

Description	2016/2017 Kshs	2015/2016 Kshs
Bank Account No. 1000183233 at CBK	7,000,000,000	7,000,000,000
<b>Total Receipts</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>

## XI. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

There were no noted and outstanding audit matters issues during the previous audits as indicated on the table below.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Unqualified opinion	N/A	N/A	N/A	N/A	N/A



**DR. KAMAU THUGGE, OBS**  
Principal Secretary  
The National Treasury



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Director General Accounting Services  
and Quality Assurance  
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