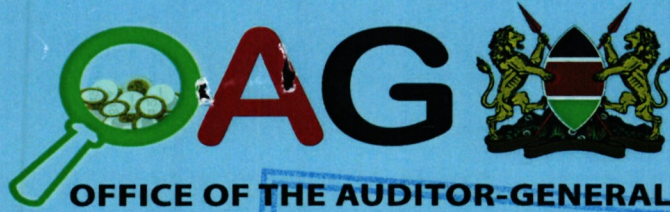


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 09 JUN 2021

DAY.

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BY:

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REPORT

OF

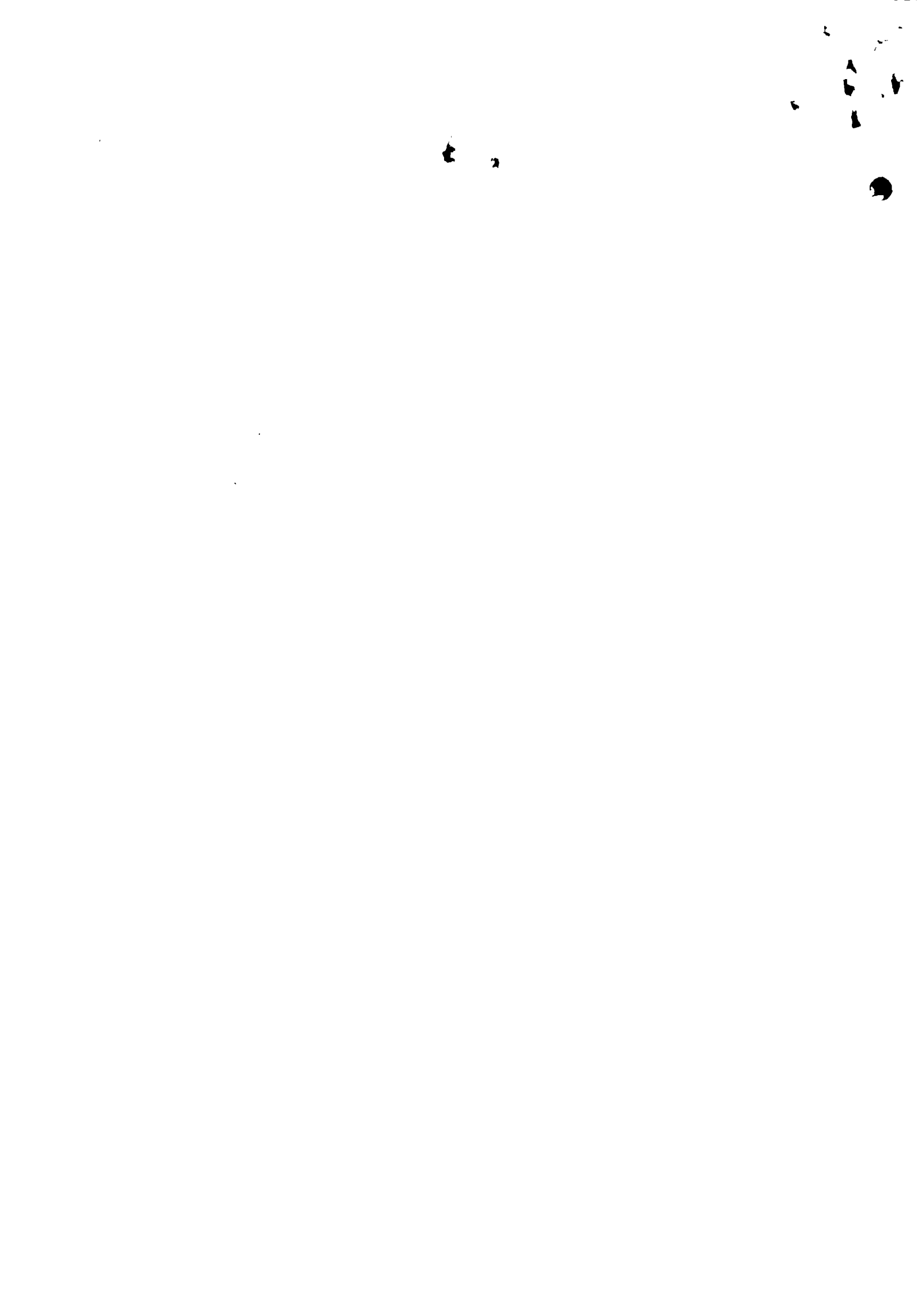
THE AUDITOR-GENERAL

ON

THE NATIONAL TREASURY

FOR THE YEAR ENDED

30 JUNE, 2020






THE NATIONAL TREASURY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	09 JUN 2021
	DAY: Wednesday
TABLED BY:	Lam (Hon. Amos Kinnings)
GENERAL MANAGER:	Halima Ahmed

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Reports and Financial Statements
For the year ended June 30, 2020

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I. KEY ENTITY INFORMATION AND MANAGEMENT

1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

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

Mission

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

Core Values

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

Mandate of the National Treasury

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

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

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

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

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Entity Information and Management

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

Office of the Principal Secretary

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

Organizational Structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

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

The functions include:

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

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr.Julius Muia, PhD,CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Ag. Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr.HaronSirma, OGW
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	Prof.Galgalo Barako
10.	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. Francis Kariuki
15.	Director, Financial Management Information System	Mr. Stanley Kamanguya
16.	Ag. Director, Public Private Partnership Unit	Mrs.Veronica Okoth
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. Michel Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Senior Deputy Director of Administration	Mr. Boniface Simba, OGW
24.	Head, Accounts Division	Mr. Nemwel M. Motanya
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Aggrey kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Robert Chepkwony
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
33.	Director, 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 an internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officer on a regular basis.

Audit Committees

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

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

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

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

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

Top Management and Senior Management Committees

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

Public Financial Management Sector Working Group

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

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

Monitoring and Evaluation

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

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(e) The National Treasury Headquarters

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

The National Treasury Contacts

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

(f) The National Treasury Bankers

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

(g) Independent Auditors

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

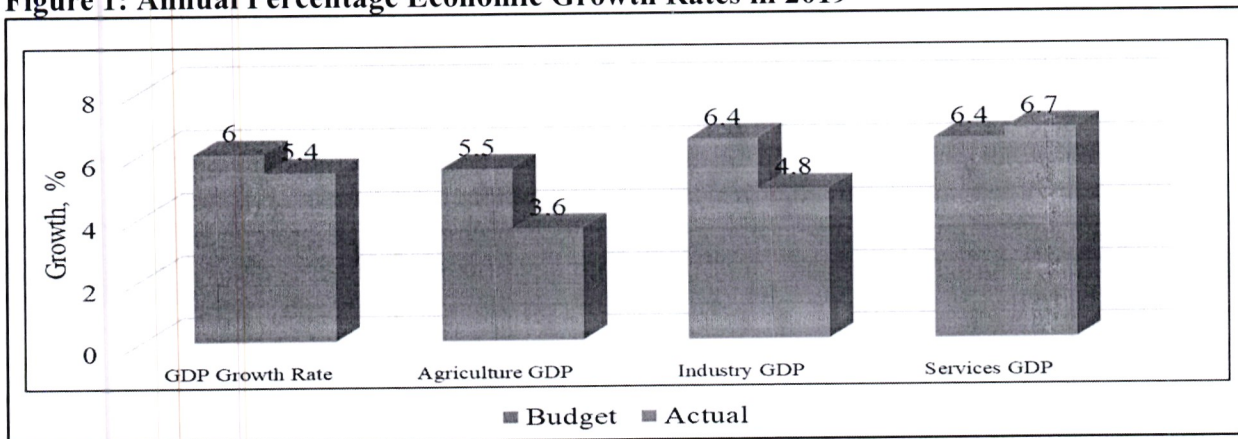
(h) Principal Legal Adviser

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

II. FOREWORD 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 remained strong in 2019 expanding by 5.4 percent compared to a growth of 6.3 per cent in 2018. The growth was spread across all sectors of the economy but was more pronounced in service-oriented sectors including Financial and Insurance as well as in Real Estate sub-sectors. However, there was a slowdown in agricultural activities due to suppressed long rains in key agricultural zones. In the first quarter of 2020, economic performance in most sectors slowed down compared to the corresponding quarter of 2019. Real GDP grew by 4.9 per cent during the review period compared to 5.5 per cent growth in the first quarter of 2019. The economy was affected by the uncertainty surrounding the corona pandemic that was already slowing economic activity in most of the country’s major trading partners. Additionally, the economic slowdown in fourth quarter was aggravated by 9.3 per cent contraction in Accommodation and Food Service activities on account of Corona Virus containment measures instituted in our major tourist source markets.

Figure 1: Annual Percentage Economic Growth Rates in 2019



Data Source: Kenya National Bureau of Statistics, MTP III

Despite the difficult circumstances faced last year, the country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable. Year-on-year overall inflation rate remained within the Government target range of 5+/-2.5 percent at 4.6 percent in June 2020 down from 5.7 percent in June 2019. This was supported by improving food supply leading to lower food prices due to favourable weather conditions and lower international oil prices. Similarly, overall annual average inflation remained within Government target range at 5.5 percent in June 2020 compared to the 5.2 percent recorded in June 2019.

By the end of June 2020, Total revenue collected, inclusive of the ministerial A-I-A, recorded an annual growth of 1.9 percent, a decline from a growth of 11.7 percent recorded in June 2019. The decline is attributed to the difficult operating environment due to the Covid-19 pandemic which adversely affected revenue performance especially in the fourth quarter.

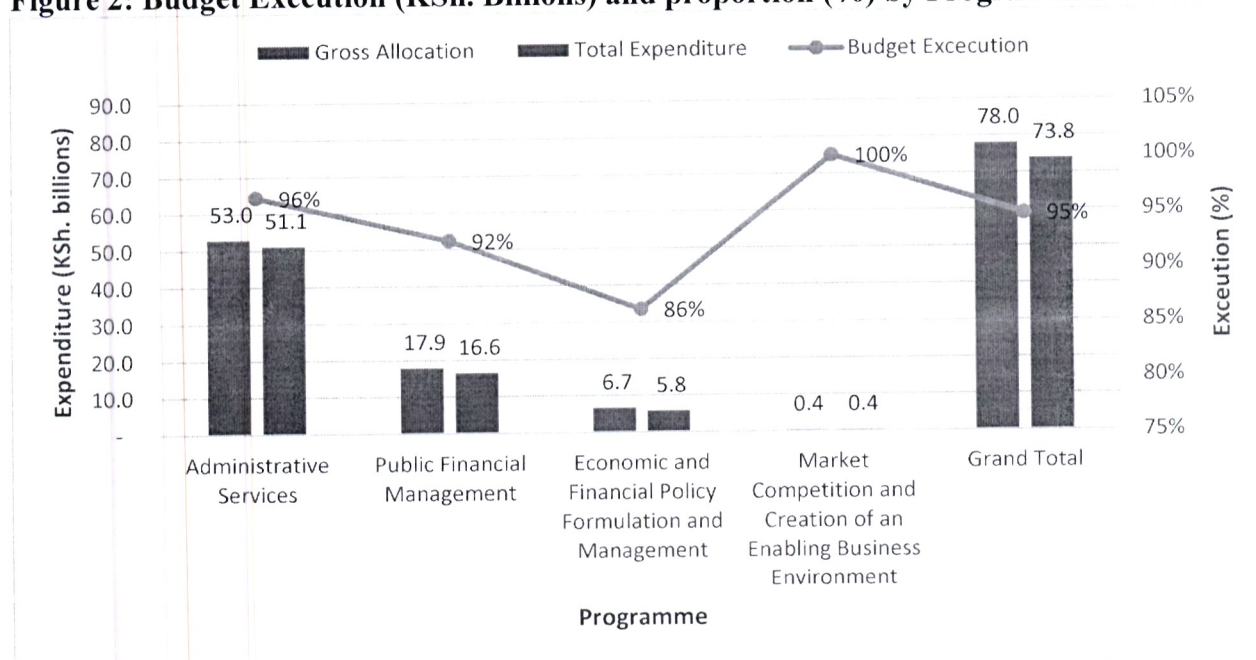
In order to ensure increased efficiency, stability and access of the financial sector, the National Treasury published the Public Finance Management (amendments) Bill, 2020. The Bill which was assented to

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by H.E the President seeks to establish the Credit Guarantee Scheme for Micro, Small and Medium Enterprises (MSMEs) in Kenya. The Bill will enable the government to give its undertaking to participating financiers that in the event of a default on loans advanced to MSMEs, the government will pay part of the loan in default. Targeted credit support to MSMEs will lead to growth in output with the potential to uplift the lives of many Kenyans through job creation.

In terms of budget performance, the National Treasury expenditure stood at Kshs.73.810m against an approved budget of Kshs.77.973m. translating to an overall absorption rate of 95%. The National Treasury implemented the 2019/20 budget within four economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, and Market Competition and Creation of an Enabling Business Environment. As demonstrated in the bar chart below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 96%, Economic and Financial Policy Formulation and Management (92%) and Public Financial Management Programme at 86%.

Figure 2: Budget Execution (KSh. Billions) and proportion (%) by Programmes



The 100% absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.

The lowest performing programme is Economic and Financial Policy Formulation and Management at 86%. This is attributed to underperformance in absorption in sub-classifications of Routine Maintenance (7%) and Acquisition of Capital Assets (4%) which was mainly due to scaled down activity as a result of COVID 19 related adjustments.

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

- A framework for processing of tax exemptions and waivers was developed. The framework will help in managing the tax expenditures.
- A Draft Sovereign Wealth Fund Bill and Policy that establishes a framework for managing revenues from minerals, oil and gas was developed and submitted to the AG for legal drafting.
- To enhance revenue collection, the Finance Act, 2019 was developed and enacted by Parliament. In addition, the current Income Tax Act was reviewed and a new Income Tax Bill developed and submitted to parliament.
- The Tax Procedures Act, 2015 (TPA) was also amended through the Finance Act to simplify declaration and remittances by taxpayers.
- In order to promote financial inclusion and a culture of savings among the lower income groups/informal sector workers, the National Treasury issued a MAkiba bond tranche worth Ksh 500 million during the period under review. The tranche attracted subscriptions worth Ksh 263 million or approximately 52.6% success rate. In addition, the National Treasury formulated Kenya's Public Debt and Borrowing Policy which was approved by Cabinet. The Policy provides for guidance on debt management and contracting of new public debt, ensures value for money from debt funded programmes and safeguards debt sustainability.

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

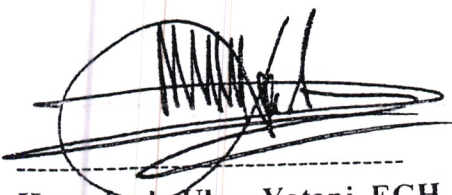
- The outbreak of COVID-19 pandemic affected achievement of targets due to delay and disruption of the policy making process especially in public participation and change of priorities arising from the urgent need to contain the spread of COVID-19.
- The global political landscape such the Brexit affected attainment of some of the targets.

Some of the challenges the National Treasury faced while implementing the 2019/20 budget include:-

- Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
- Low absorption of Official Development Assistance (ODA).
- Inadequate staff capacity in some key technical Departments.

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

- Domestic borrowing to plug the financing gap created by non-performing revenue.
- Expenditure reduction strategies such as austerity measures and a ban on new projects to ensure available money is used in completing old projects.
- Enhanced the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
- Promoted the Public Private Partnership initiatives to finance government capital projects.
- Engaged other developments partners for concessional loans and grants as well as pursued strategies to finance government projects.



Hon, Amb, Ukur Yatani, EGH
Cabinet Secretary, National Treasury and Planning

III STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance 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 relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of The National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of The National Treasury; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of The National Treasury accepts responsibility for The National Treasury financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that The National Treasury's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Accounting Officer charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury which have been relied upon in the preparation of The National Treasury's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of The National Treasury confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants, and that the The National Treasury's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that The National Treasury's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *National Treasury* financial statements were approved and signed by the Accounting Officer on 23rd May 2021.


DR JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY


NEMWEL M. MBATANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

IV STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Introduction

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

- (a) strengthen organization capacity for quality service delivery
- (b) enhance mobilization, allocation and utilization of public resources.
- (c) ensure stable and sustainable macro-economic environment.
- (d) ensure market structures that encourage competition and orderly conduct of business.

Progress on attainment of Strategic development objectives

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

MDA Program	Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services	Strengthen organization capacity for quality service delivery	Efficient and effective service delivery	% improvement in service delivery	Fixed lifts for Bima House, Installed CCTVs, refurbished two floors, promoted staff and launched the PSSS Pension Scheme.
Public Financial Management	Enhance mobilization, allocation and utilization of public resources.	Transparent and accountable management of public resources	Public Procurement Regulations	Developed PPDA regulations
			Consolidated Annual Accounts	Annual accounts prepared
			Annual national budget presented to Parliament by 30th April	Budget presented to parliament
Economic and Financial Policy Formulation and Management	Ensure stable and sustainable macro-economic environment.	Stable macroeconomic environment for economic growth	Real GDP growth rate (%)	5.4 %
			Inflation rate (%)	4.6%
			Months of import cover	5.0 months of import cover

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			% of fiscal deficit	8.2% of GDP
Market Competition and Creation of an Enabling Business Environment	Ensure market structures that encourage competition and orderly conduct of business.	Sustained high productivity and competitive markets	Percentage of consumer complaints investigations concluded	80% of the consumer complaints investigated

V CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The National Treasury exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following core values: customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

Sustainability strategy and profile –

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy and its citizens against major economic shocks. Some of them include; reduction of VAT and review of income tax to cushion citizens during the COVID 19 pandemic, reorganized the budget to reflect the realities of the current situation and to manage expenditure among others. Going forward into the medium term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the Budget Policy Statement (BPS). This will ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2018/19 to 3.3 percent by FY 2023/24. This deliberate fiscal consolidation plan also resonates well with the East African Monetary Union's (EAMU) protocol target ceiling of 3.0 percent of GDP. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. In the FY 2019/20, the Government implemented a raft of tax policy measures through the Budget Policy Statement, the Tax Amendment law and the Finance Act, 2019. In addition, the modernized Income Tax Bill currently undergoing legal drafting, will also ease administrative bottlenecks, improve compliance and boost revenue collection, thereby supporting the government's fiscal consolidation efforts. Further, the establishment of Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency, and accountability of public spending. In particular, the implementation of PIM regulations under the Public Finance Act will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

Environmental performance

The National Treasury has constituted a Committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management.

Employee welfare

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a Department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee that process all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. In addition, a Committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to ensure attracting and retaining competent officers, the National Treasury continued to conduct capacity and training needs assessments for 2019/2020 – 2020/2021 as well as development and implementation of the training projections plan to fill skills gaps. In addition, the National Treasury continued to implement succession management plan by declaring number of the posts to be filled under the delegated powers and continually implementing the provision of the guidelines on the policy on advancement to the next grade at the entry level in the scheme of service and implementation of the Authorised officers and the PSC decisions. Further, the importance of knowledge management was reinforced through: identification of data needs and data gaps; preparation of a database of sources of knowledge across all levels in the State Department, preparation of a comprehensive report on patterns, trends and attributes of the processed data and information in the State Department; preservation and sharing of knowledge as well as application of knowledge to policy and problem solving within the National Treasury.

Under the Youth Internship and Attachment programme, the National Treasury managed to place 106 students under attachment and 91 students under the internship programme spearheaded by the Public Service Commission during the period under review.

Market place practices

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. In addition, the National Treasury developed the Public Procurement and Asset Disposal Regulations to guide the procurement function in the public Sector.

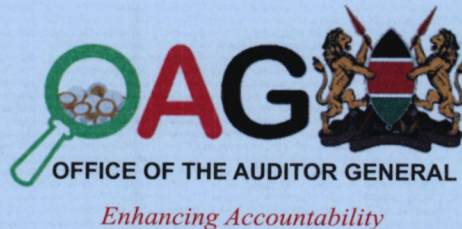
Under the programme of Access to Government Procurement Opportunities (AGPO), the National Treasury allocated Ksh. 304 million worth of procurement opportunities to the vulnerable groups namely women, youth and people with disabilities during the period under review.

Community Engagements

To mitigate technological hazards, terrorism, fire and natural disasters, the National Treasury engaged a professional security services firm contracted for purposes of enhancing security in the Ministry. It also installed and commissioned CCTV cameras at the Treasury Building and maintained fire fighting facilities maintained at the premises in collaboration with the State Department for Public Works.

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL TREASURY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The National Treasury set out on pages 15 to 44, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The National Treasury as at 30 June, 2020, 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.

Basis for Qualified Opinion

1. Accuracy of the Financial Statements

The financial statements of The National Treasury for the year ended 30 June, 2020 reflect various differences between the financial statements/general ledger presented for audit review and the Integrated Financial Management Information System (IFMIS) generated financial statements as follows:

Description	Amount as per Financial Statements/ General Ledger/ Other Supporting Documents (Kshs.)	Amount as per IFMIS Generated Financial Statements (Kshs.)	Variance (Kshs.)
Proceeds from Domestic Borrowings	-	(558,870,164,000)	558,870,164,000
Bank Balances	670,932,773	(207,268,684,434)	207,939,617,210
Cash Balances	390,518	45,618,690,325	(45,618,299,807)
Accounts Receivable	889,462,799	600,355,853	289,106,946
Accounts Payable	86,848,069	394,355,514,906	(394,268,666,837)
Fund Balance b/fwd	2,071,634,749	3,069,187,148	(997,552,399)
Surplus/Deficit for the Year	358,500,354	412,394,681,889	(412,036,181,535)
Prior Year Adjustments	(956,197,623)	-	(956,197,623)
Net Financial Assets	1,473,937,480	(555,405,153,165)	556,879,090,645
Net Financial Position	1,473,937,480	415,463,869,038	(413,989,931,558)

No explanation or reconciliations have been provided for the above variances.

2. Long Outstanding Reconciling items

The statement of asset and liabilities reflects a cash and cash equivalents balance of Kshs.671,322,790 as at 30 June, 2020 which includes an amount of Kshs.15,747,925 held in the recurrent bank account. However, the bank reconciliation statement for the recurrent bank account reflected an amount of Kshs.5,632,659 payments in the bank statement not in the cashbook as at 30 June, 2020, out of which an amount of Kshs.2,192,655 related to 2018/2019 and earlier years. No explanation has been provided on why the payments were not recorded in the Cashbook and why the long outstanding amount of Kshs.2,192,655.35 remained uncleared as at 30 June, 2020.

Under the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.671,322,790 as at 30 June, 2020 could not be confirmed.

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

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 are no key audit matters to communicate in my report.

Other Matter

Pending Bills

As disclosed in Note 19.1 to the financial statements, The National Treasury had pending bills of Kshs.111,788,207 as at 30 June, 2020. The bills comprised of Kshs.2,241,906 under construction of buildings, Kshs.35,533,799 under civil works and Kshs.74,012,502 under supply of goods that were not settled in the year under review but were carried forward to 2020/2021 financial year. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Refurbishment of The National Treasury Building

1.1 Refurbishment of Budget Offices

The proposed refurbishment works of the 13th Floor was awarded to a local firm at a total cost of Kshs.28,942,000. The contract between The National Treasury and the firm was signed on 19 June, 2020 with an expected contract period of twelve (12) weeks. Included in the contract sum of Kshs.28,942,000 is an amount of Kshs.700,0000 described as provisional sum. However, no information was provided on how the provisional sum was determined and utilized.

1.2 Refurbishment Works of 6th and 7th Floor, Treasury Building

Tender No.TNT/041/2019-2020 was awarded to a local construction firm at a total cost of Kshs.37,109,374. The contract was signed between The National Treasury and the contractor on 19 June, 2020 with an expected contract duration of twelve (12) weeks. Included in the contract sum of Ksh.37,109,374 is an amount of Kshs.800,0000 described as provisional sum. However, no information was provided on how the provisional sum was determined and utilized.

1.3 Pending Bills Payment on Contract for the Supply, Installation, Testing and Commissioning of Baggage Scanners, Walk Through Scanners, Hand-Held Metal Detectors and Associated Works

The reported pending bills of Kshs.111,788,207 as at 30 June, 2020 includes amounts of Kshs.5,186,800 and Kshs.3,488,680 payable to a local firm. The pending payments were in relation to the contract for the supply, installation, testing and commissioning of baggage scanners, walk through scanners, hand-held metal detectors and associated works at both the Treasury Building and Bima House. The pending bills owed to the firm were subsequently paid on 26 November, 2020 and 27 November, 2020 respectively being the 2nd Payment Certificate and the 10% Retention monies respectively.

A physical verification carried out at the baggage scanners and walk through scanners at the Treasury Building and Bima House revealed that the scanners had not been in operation since June, 2020 and it was not possible to confirm if they were in good working condition.

Under the circumstances, The National Treasury may not have received value for money for the expenditure of Kshs.8,675,480.

1.4 Inventory and Stock Taking Report

Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 requires the Head of Procurement Function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer. Contrary to the requirement, the Inventory and Stock Taking Report for the year under review was not availed for audit review.

The National Treasury is in breach of the law to this extent.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Provide Assets Register for Audit

Annex 4 to the financial statements - summary of fixed assets register reflects assets with a cumulative historical cost of Kshs.48,006,657,017 as at 30 June, 2020. The balance includes assets worth Kshs.41,264,665,564 brought forward from 2018/2019 financial year and additional assets acquired in 2019/2020 at a cost of Kshs.6,741,991,453. The National Treasury did not avail for audit review an assets' register supporting the reported value of assets of Kshs.48,006,657,017.

In the absence of an assets register, the accuracy and existence of the assets of Kshs.48,006,657,017 as at 30 June, 2020 could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing The National Treasury's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate The National Treasury or to cease operations.

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

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

Those charged with governance are responsible for overseeing The National Treasury financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 May, 2021

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

VI STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30-JUN-2020

	Note	2019-2020 Kshs	2018-2019 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	3,333,365,633	4,636,032,038
Exchequer releases	2	69,982,137,647	51,042,594,480
Proceeds from Foreign Borrowings	3	82,851,000	530,378,555
TOTAL RECEIPTS		73,398,354,280	56,209,005,073
PAYMENTS			
Compensation of Employees	4	2,442,033,350	2,524,328,336
Use of goods and services	5	17,058,320,841	16,950,551,898
Subsidies	6	1,200,000,000	300,000,000
Transfers to Other Government Units	7	39,876,196,614	27,255,222,636
Other grants and transfers	8	4,121,811,669	3,808,539,372
Acquisition of Assets	9	6,741,491,452	3,825,581,833
Other Payments	10	1,600,000,000	500,000,000
TOTAL PAYMENTS		73,039,853,926	55,164,224,075
SURPLUS/DEFICIT		358,500,354	1,044,780,998

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 27th May 2021 and signed by:


DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY


NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

VII STATEMENT OF ASSETS AND LIABILITIES AS AT 30-JUN-2020

	Note	2019-2020 Kshs	2018-2019 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11A	670,932,773	1,251,228,388
Cash Balances	11B	390,518	1,020,917
Total Cash and cash equivalent		671,323,291	1,252,249,305
Accounts receivable/unspent project balances	12	889,462,258	899,585,508
		1,560,785,549	2,151,834,813
TOTAL FINANCIAL ASSETS			
FINANCIAL LIABILITIES			
Account Payables	13	86,848,069	80,200,064
NET FINANCIAL ASSETS		1,473,937,480	2,071,634,749
REPRESENTED BY			
Fund balance b/fwd	14	2,071,634,749	2,056,688,154
Surplus/Deficit for the year		358,500,354	1,044,780,998
Prior year adjustment	15	(956,197,623)	(1,029,834,403)
NET FINANCIAL POSITION		1,473,937,480	2,071,634,749

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 27th May 2021 and signed by:


 DR. JULIUS MUIA, PhD, CBS
 PRINCIPAL SECRETARY


 NEMWEL M. MOTANYA
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 HEAD OF ACCOUNTING UNIT

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

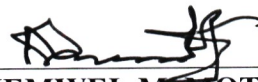
VIII STATEMENT OF CASH FLOW

	Note	2019-2020 Kshs	2018-2019 Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	3,333,365,633	4,636,032,038
Exchequer Releases	2	69,982,137,647	51,042,594,480
Total Receipt		73,315,503,280	55,678,626,518
Payments for operating expenses			
Compensation of Employees	4	2,442,033,350	2,524,328,336
Use of goods and services	5	17,058,320,841	16,950,551,898
Subsidies	6	1,200,000,000	300,000,000
Transfers to Other Government Units	7	39,876,196,614	27,255,222,636
Other grants and transfers	8	4,121,811,669	3,808,539,372
Other payments	10	1,600,000,000	500,000,000
Net cash flow from operating activities		66,298,362,474	51,338,642,242
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9	6,741,491,452	3,825,581,833
Net cash flows from Investing Activities		6,741,491,452	3,825,581,833
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	82,851,000	530,378,555
Net cash flow from borrowing activities		82,851,000	530,378,555
NET INCREASE IN CASH AND CASH EQUIVALENT		358,500,354	1,044,780,998
Cash and cash equivalent at BEGINNING of the year		1,252,249,304	1,391,500,552
Change in Receivables		10,123,250	(79,461,312)
Change in Payables		6,648,005	(74,736,530)
Prior Year adjustment	15	(956,197,623)	(1,029,834,403)
Cash and cash equivalent at the END of the Year		671,323,290	1,252,249,304

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 27th May 2021 and signed by:



DR. JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

IX SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Notes	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS							
Proceeds from Domestic and Foreign Grants	1	7,903,593,127	(3,923,829,430)	3,979,763,697	3,333,365,633	646,398,064	84.0%
Exchequer releases	2	71,243,924,858	(291,906,390)	70,952,018,468	69,982,137,647	969,880,821	98%
Proceeds from Foreign Borrowings	3		92,098,900	92,098,900	82,851,000	9,247,000	90%
Other Receipt		1,474,650,000	1,474,650,000	2,949,300,000			
TOTAL RECEIPTS		80,622,167,985	(2,648,986,920)	77,973,181,065	73,398,354,280	4,574,826,785	94.0%
PAYMENTS							
Compensation of Employees	4	17,734,841,717	(15,194,810,536)	2,540,031,181	2,442,033,350	89,581,831	96.0%
Use of goods and services	5	15,207,186,365	3,019,408,912	18,226,495,276	17,058,320,842	1,167,905,284	94%
Subsidies	6	1,200,000,000		1,200,000,000	1,200,000,000	-	100%
Transfers to Other Government Units	7	30,795,271,487	12,367,167,949	43,162,439,436	39,876,196,614	3,285,942,822	92%
Other grants and transfers	8	4,144,040,778	(21,569,172)	4,122,471,606	4,121,811,669	659,937	99%
Social Security Benefits							
Acquisition of Assets	9	6,539,913,466	577,718,853	7,117,632,279	6,741,491,452	375,640,827	95.0%
Other Payments	10	5,000,000,000	(3,400,000,000)	1,600,000,000	1,600,000,000		100%
TOTAL PAYMENTS		80,622,167,985	(2,648,986,920)	77,973,181,064	73,039,853,926	4,932,453,136	94%
Serplus/Defecit					358,500,354		

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

Receipt/Expense Item	Notes	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %

- i. *Proceeds from Domestic and Foreign Grants(AIA) 84%- The signing of contracts whose partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- ii. *Social Security Benefits 0%. – During the year under review, there was no officer qualified to enjoy pension benefits.*

The National Treasury financial statements were approved on 27th May 2021 and signed by:



DR. JULIUS MUIJA, PhD, CBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

X SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Notes	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS							
Proceeds from Domestic and Foreign Grants	1						
Exchequer releases	2	41,876,933,134	12,817,316,151	54,694,249,285	54,358,180,355	336,068,930	99.0%
Proceeds from Domestic Borrowings	3						
Other Receipts		1,474,650,000	1,474,650,000	2,949,300,000		2,949,300,000	0.0%
TOTAL RECEIPTS		43,351,583,134	14,291,966,151	57,643,549,285	54,358,180,355	3,285,368,930	94%
PAYMENTS							
Compensation of Employees	4	17,674,402,236	(15,194,810,536)	2,488,357,362	2,394,289,108	85,652,254	96.0%
Use of goods and services	5	5,949,883,591	6,684,487,898	12,769,415,676	12,301,330,718	467,880,607	96%
Subsidies	6						
Transfers to Other Government Units	7	14,904,999,611	23,309,549,611	38,214,549,222	35,134,593,772	3,091,849,850	91.0%
Other grants and transfers	8	4,144,040,778	(21,569,172)	4,122,471,606	4,121,811,669	659,937	99.9%
Social Security Benefits							
Acquisition of Assets	9	677,342,746	(630,394,790)	46,927,076	45,347,971	1,556,654	96.0%
Other Payments	10						
TOTAL PAYMENTS		43,351,583,134	14,291,966,151	57,643,549,284	53,997,373,237	3,647,600,145	93%

**THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020**

Receipt/Expense Item	Notes	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Surplus/Deficit					360,807,118		

Other receipts (AIA) 0% - during the year, there was no business to generate extra receipts due to Covid 19 pandemic

The National Treasury financial statements were approved on 27th May 2021 and signed by:



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



**NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT**

THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2020

XI. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Notes	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS							
Proceeds from Domestic and Foreign Grants	1	7,903,593,127	(3,923,829,430)	3,979,763,697	3,333,365,633	846,398,064	83.0%
Exchequer releases	2	29,366,991,724	(13,109,222,541)	16,257,769,183	15,623,957,292	633,811,891	96%
Proceeds from Foreign Borrowings	3		92,098,900	92,098,900	82,851,000	9,247,900	90%
Other Receipts							
TOTAL RECEIPTS		37,270,584,851	(16,940,953,071)	20,329,631,780	19,040,173,925	1,289,457,855	94%
PAYMENTS							
Compensation of Employees	4	60,438,481	(8,765,662)	51,673,819	47,744,242	3,929,577	92%
Use of goods and services	5	9,257,302,774	(3,800,223,173)	5,457,079,601	4,756,990,124	700,089,477	87%
Subsidies	6	1,200,000,000		1,200,000,000	1,200,000,000	-	100%
Transfers to Other Government Units	7	15,890,271,876	(10,942,381,662)	4,947,890,214	4,741,602,841	206,287,372	96%
Other grants and transfers	8	0.00	2,282,943	2,282,943		2,282,943-	.00%
Acquisition of Assets	9	5,862,570,720	1,208,134,483	7,070,705,203	6,696,143,481	374,561,723	95%
Social Security Benefits							
Other Payments	10	5,000,000,000	(3,400,000,000)	1,600,000,000	1,600,000,000		100%
TOTAL PAYMENTS		37,270,584,851	(16,940,953,071)	20,329,631,780	19,042,480,688	1,287,151,091	94%
Surplus/Deficit					(2,306,763)		

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- I. Proceeds from Domestic and Foreign Grants (ALA) 83%- The signing of contracts whose partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- II. Use of Goods and Services 87%- there was reduced program activities during the third quarter of the year due to Covid 19 pandemic and the resulting restrictions.*

The National Treasury financial statements were approved on 27th May 2021 and signed by:



DR. JULIUS MUIJA, PhD, CBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

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XII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2020		Adjustments		Final Budget 2020		Actual on comparable basis Date, 2020		Budget utilization difference	
	Kshs		Kshs		Kshs		Kshs		Kshs	
Programme 1 General Administration Planning And Support Services	51,737,227,947				51,737,227,947		48,322,283,506		3,414,944,441	
Programme 2 Public Financial Management	24,119,061,604				24,119,061,604		22,636,295,950		1,482,765,654	
Programme 3 Economic and Financial Policy Formulation and Management	1,755,791,514				1,755,791,514		1,622,411,072		133,380,442	
Programme 4 Market Competition	381,100,000				381,100,000		361,100,000			
Programme 5 Government Clearing Agency										
TOTALS	77,993,181,065						73,042,115,028		4,951,066,037	

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XIII SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

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

3. Reporting Currency

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

4. Significant Accounting Policies

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

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a) Recognition of Receipts

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

• **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

• **Transfers from the Exchequer**

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

• **External Assistance**

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

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

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

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

• **Other receipts**

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

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b) Recognition of payments

The National Treasury recognises all payments when the event occurs and the related cash has actually been paid out by The National Treasury.

- **Compensation of Employees**
Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.
- **Use of Goods and Services**
Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.
- **Interest on Borrowing**
Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

SIGNIFICANT ACCOUNTING POLICIES

- **Repayment of Borrowing (Principal Amount)**
The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.
- **Acquisition of Fixed Assets**
The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.
A fixed asset register is maintained by The National Treasury and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

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

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6. Third Party Payments

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

7. Cash and Cash Equivalents

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

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to Kshs 73,286,233 compared to Kshs 146,481,242 in prior period as indicated on note 15.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

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

9. Accounts Payable

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

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accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2018 to 30th June 2019 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

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

12. Comparative Figures

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

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SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

14. Errors

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

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

15. Related Party Transactions

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

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IVX NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amt Foreign Currency	2019-2020		2018-2019	
				Kshs		Kshs
Grants Received from Bilateral Donors (Foreign Governments)						
Global Fund-HIV/AIDS			2,608,014,119	3,925,240,588		
Global Fund HIV/AIDS				293,593,109		
Global Fund and -TB			242,800,331	157,842,640		
Global Fund Special TB				252,354,369		
Global Fund and - Malaria			270,799,405	3,072,612		
Financial Sector Support Project			209,476,428			
Study and Capacity Building iii			2,275,350	3,429,220		
Social Policy				499,500		
Totals			3,333,365,633	4,636,032,038		

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2: EXCHQUER RELEASES

DESCRIPTION	RECURRENT	DEVELOPMENT	TOTALS	TOTALS
	2019-2020 Kshs	2019-2020 Kshs	2019-2020 Kshs	2018-2019 Kshs
Total Exchequer Releases for quarter 1	4,610,463,820	4,453,589,954	9,064,053,774	9,225,684,523
Total Exchequer Releases for quarter 2	13,054,715,431	1,601,730,583	14,656,446,014	9,331,410,500
Total Exchequer Releases for quarter 3	5,558,245,267	6,627,426,808	6,627,426,808	12,377,901,018
Total Exchequer Releases for quarter 4	31,134,755,837	2,941,209,946	34,075,965,783	20,107,598,439
Total	54,358,180,355	15,623,957,292	69,982,137,647	51,042,594,480

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3: PROCEEDS FROM FOREIGN BORROWINGS

	2019-2020	2018-2019
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer		
Foreign Borrowing - Direct Payments	82,851,000	530,378,555
Foreign Currency and Foreign Deposits		
Total	82,851,000	530,378,555

4: COMPENSATION OF EMPLOYEES

	2019-2020	2018-2019
	Kshs	Kshs
Basic salaries of permanent employees	1,514,479,820	1,464,048,338
Basic wages of temporary employees	147,302,113	216,687,107
Personal allowances paid as part of salary	780,251,417	843,592,891
Total	2,442,033,350	2,524,328,336

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5: USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Utilities, supplies and services	145,799,159	145,262,092
Communication, supplies and services	27,048,064	51,404,667
Domestic travel and subsistence	105,304,252	182,632,510
Foreign travel and subsistence	55,141,607	73,785,738
Printing, advertising and information supplies & services	14,726,483	11,102,540
Rentals of produced assets	53,867,806	63,545,463
Training expenses	232,305,822	169,336,553
Hospitality supplies and services	506,449,426	427,105,955
Insurance costs	771,013	2,265,920
Specialized materials and services	2,826,629,678	3,988,785,244
Office and general supplies and services	48,804,387	126,158,842
Other operating expenses	12,976076257	11,612,543,191
Routine maintenance – vehicles and other transport equipment	17,308,660	33,012,634
Routine maintenance – other assets	29,588,198	33,802,165
Exchange Rate Losses		
Fuel,oil and lubricants	18,500,030	29,808,384
Total	17,058,320,841	16,950,551,898

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6: SUBSIDIES

Description	2019-2020		2018-2019	
	Kshs		Kshs	
Agricultural Finance Corporation	1,200,000,000		300,000,000	
Total	1,200,000,000		300,000,000	

The payment of Kshs.1,200,000,000 was part of strategic investment in public enterprise

7. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2019-2020		2018-2019	
	Kshs		Kshs	
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	39,876,196,614		27,255,222,636	
ANNEX VII(a)				
Transfers to project GOK Conterfunds funding projects				
TOTAL	39,876,196,614		27,255,222,636	

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8. OTHER GRANTS AND TRANSFERS

Explanation	2019-2020		2019-2018	
	Kshs		Kshs	
Membership dues and subscriptions to international organizations	3,407,914,748		3,308,555,540	
Membership dues and subscriptions to international organizations(Continued)	713,896,621		499,983,832	
African Capacity Building Foundation				
Shelter Afrique				
United Nations Development Fund				
Common Wealth				
ESAAMLG				
African Economic Research Consortium				
MEFMI				
IBRD				
Total	4,121,811,669		3,808,539,372	

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9. ACQUISITION OF ASSETS

Non Financial Assets	2019-2020	2018-2019
	Kshs	Kshs
Construction of Buildings	72,850,430	295,240,568
Refurbishment of Buildings	188,350,481	105,679,848
Construction and Civil Works		
Overhaul and Refurbishment of Construction and Civil Works	38,535,960	
Purchase of Vehicles and Other Transport Equipment	26,988,448	63,000,000
Purchase of Household Furniture and Institutional Equipment	627,500	
Purchase of Office Furniture and General Equipment	12,920,217	41,506,703
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialized Plant, Equipment and Machinery	311,338,339	165,910,792
Research, Studies, Project Preparation, Design & Supervision	340,644,358	418,145,149
Sub-total	992,255,733	1,089,483,060
Financial Assets		
Domestic Lending and Non-Financial Enterprises	5,150,695,819	1,936,097,873
Domestic Equity Participation	63,990,314	
Foreign equity participation	534,549,586	800,000,900
Sub-total	5,749,235,720	2,736,098,773
Total	6,741,491,452	3,825,581,833

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10. OTHER EXPENSES

	2019-2020	2018-2019
	Kshs	Kshs
Budget Reserves	NIL	NIL
Consolidated bank	1,600,000,000	500,000,000
Other expenses		
Total	1,600,000,000	500,000,000

The payment of Kshs.1,600,000,000 was part of strategic investment in public enterprises

11A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate if in foreign currency	2019-2020	2018-2019
				Kshs	Kshs
<i>NATIONAL TREASURY (Annex xii)</i>		Recurrent		15,747,925	834,279,701
<i>NATIONAL TREASURY(Annex xiib)</i>		Development		351,896,424	122,365,605
<i>NATIONAL TREASURY(Annex xiic)</i>		Deposit		303,288,424	294,583,082
Total	-			670,932,773	1,251,228,388

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11B: CASH IN HAND

	2019-2020	2018-2019
	Kshs	Kshs
CASH BOOK RECURRENT	390,518	1,020,917
CASH BOOK OLD/AC DEPOSIT		
Total	390,518	1,020,917

12: ACCOUNTS RECEIVABLE

<i>Description</i>	2019-2020	2018-2019
	Kshs	Kshs
Advance to MDAs and Projects	883,961,419	897,604,882
Government Imprests	25,200	918,958
Cash in transit		733,828
Salary advances	837,674	299,085
District suspense	4,637,965	28,755
Total	889,462,258	899,585,508

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		Kshs	Kshs	Kshs
Nelson Odhiambo Nyandero	27-feb-2020	25,200	nil	25,200
Total		25,000	nil	25,200

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13. ACCOUNTS PAYABLE

Description	2019-2020		2018-2019	
	Kshs		Kshs	
Deposits and retention	86,848,069		73,286,233	
Recurrent			6,913,831	
Development				
Total	86,848,069		80,200,063	

Ksh. 86,848,069 represents amounts that are restricted from being used to settle liabilities in subsequent year

13. FUND BALANCE BROUGHT FORWARD

Description	2019-2020		2018-2019	
	Kshs		Kshs	
Bank accounts	1,251,228,388		1,390,758,926	
Cash in hand	1,020,917		741,626	
Accounts Receivables	899,585,508		820,124,196	
Accounts Payables	80,200,064		(154,936,594)	
Total	2,071,634,749		2,056,688,154	

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15. PRIOR YEAR ADJUSTMENTS

Description of the error	2019-2020	
	Kshs	Kshs
Adjustments on receivables (Annex XVIII)	956,197,623	1,029,834,403
TOTALS	956,197,623	1,029,834,403

16. CHANGES IN RECEIVABLE

Description of the error	2020 - 2019		2019 - 2018	
	KShs		KShs	
Outstanding Imprest as at 1 st July 2019 (A)		918,958		918,958
Imprest issued during the year (B)		369,662,924		
Imprest surrendered during the Year (C)		370,556,682		
Net changes in account receivables D= A+B-C		25,200		918,958

17. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020		2018 - 2019	
	KShs		KShs	
Deposit and Retentions as at 1 st July 2019 (A)		73,441,990		149,670,265.30
Deposit and Retentions held during the year (B)		15,150,112,131		138,404,975.15
Deposit and Retentions paid during the Year (C)		15,136,706,052		214,633,250.45
Net changes in account receivables D= A+B-C		86,848,069		73,441,990

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18. RELATED PARTY DISCLOSURES

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

The following comprise of related parties to the (*The National Treasury*)

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

Related party transactions:

	2019-2020	2018-2019
	Kshs	Kshs
Key Management compensation	198,443,342	198,443,342
	=====	=====
Transfers to the Other MDAs	39,876,196,614	27,255,222,638
Transfers to other State Corp&Semi-Aut. Government Agencies		
Transfers to Government Development Projects	1,181,027,710	1,189,681,673
Transfers from other Ministries Departments and Agencies		329,141,982

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19. OTHER IMPORTANT DISCLOSURES

PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2020 – 2019		2019 – 2018	
	Kshs		Kshs	
Construction of buildings	2,241,906			
Construction of civil works	35,533,799			
Supply of goods	74,012,502			
Supply of services Annex 1	111,788,207		241,957,4967	

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18. 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)

Note: Audit final report has not been released for the fiscal year 2018/2019.



DR. JULIUS MUJA, PhD, CBS
PRINCIPAL SECRETARY



NEMWEL M. MOTANYA
ICPAK NUMBER 2367
HEAD OF ACCOUNTING UNIT

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Details	2019 and earlier years	2020 Financial year Bills	Paid Bills for 2018/2019	Outstanding bills Amount (Kshs)
AGPO Bills	643,100	3,980,185	643,100	3,980,185
Non-AGPO Bills	239,661,897	107,808,022	107,808,022	107,808,022
Historical bills	1,652,500		1,652,500	
Total	241,957,497	111,788,207	241,957,497	111,788,207

Refer page 50

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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
	Sub-Total						
Middle Management							
4.							
5.							
6.							
	Sub-Total						
Unionisable Employees							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

NB// There were no Pending Staff Payables

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
	Sub-Total						
Amounts due to County Govt Entities							
4.							
5.							
6.							
	Sub-Total						
Amounts due to Third Parties							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

NB// There were no OTHER PENDING PAYABLES

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2018/2019	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2018/2019
Land				
Buildings , structures and refurbishment	743,014,348	261,200,911		1,004,215,259
Transport equipment	159,762,550			159,762,550
Office equipment, furniture and fittings	394,706,066	12,920,217		407,626,283
Overhaul of construction and civil work		38,535,960		38,535,960
Household Furniture and institutional Equipment		627,500		627,500
Other Machinery and Equipment	2,055,205,768	311,338,339		2,366,544,107
Research, Studies, Project preparation, Design	418,145,149	340,644,358		758,789,507
Purchase of Motor vehicles	63,000,000	26,988,448		89,988,448
Sub-Total	3,833,833,881	992,255,733		4,826,089,614
FINANCIAL ASSETS				
Domestic equity participation	2,254,642,441	63,990,314		2,318,632,755
Foreign equity participation	7,236,342,452	534,549,586		7,770,892,038
Domestic Lending and on Lending	27,939,846,790	5,150,695,820		33,090,542,610
Sub-Total	37,430,831,683	5,749,235,720		43,180,067,403

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Total	41,264,665,564	6,741,491,453	48,006,157,017	

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ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (The National Treasury)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
	Aid Effectiveness	Expand care and treatment services to reach universal access by 2013.	Principal Secretary	Prepared their accounts
	Global Fund	Control of Mobility and Mortality attributable to Malaria in the epidemiological zones	Principal Secretary	Prepared their accounts
	HIV/AIDS round 7	To expand the physical infrastructure for the delivery of TB/HIV services by strengthening Primary health care facilities.	Principal Secretary	Prepared their accounts
	Global Fund	-To have 100% diagnosed Malaria patient receiving effective treatment by 2019. -To reduce mortality caused by Malaria	Principal Secretary	Prepared their accounts
	Malaria round 10	To strengthen public financial management system to enhance Transparency, Accountability and Responsiveness of expenditure to policy priorities and improved service delivery	Principal Secretary	Prepared their accounts
	Public financial Mgt Reforms	-The rural finance outreach and innovation -Accuracy of the financial statements	Principal Secretary	Prepared their accounts
	Profit Programme	To strengthen the capacity of GOK to manage its Petroleum Sector and Wealth for sustainable Developments Impacts	Principal Secretary	Prepared their accounts
	KEPTAP	Promote the Financial deepening in the Banking Sector in order to ensure access to credit by the non banking population of Kenya.	Principal Secretary	Prepared their accounts
	Micro Finance	To increase Private Investment in the Kenya infrastructure market	Principal Secretary	Prepared their accounts
	Infrastructure FPP Project	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access to and provision of affordable and long-term financing	Principal Secretary	Prepared their accounts
	Financial sector support project	Financing of feasibility studies for project to be financed by AFD	Principal Secretary	Prepared their accounts
	Technical Support Programme	Financing study and capacity building	Principal Secretary	Prepared their accounts
	Study & Capacity Building	To establish and manage national electronic single window system and to facilitate trade	Principal Secretary	Prepared their accounts
	Kentrade	To finance locally led climate action program	Principal Secretary	Prepared their accounts
	Financing locally led climatic action		Principal Secretary	Prepared their accounts

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ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Kenya Revenue Authority	Revenue Collection		31,262,336,914	N/A
2	Competition Authority of Kenya	To control monopoly power and dominance in the specific market		381,100,000	
3	Unclaimed Asset Authority	Management of Unclaimed financial Assets		199,900,000	
4	Pension fund	Managing pension fund		1,687,612,301	
5	Public procurement oversight Authority	Regulatory role on public procurement		340,000,000	
6	Kenya inst. Supplies management	Conducting training for Supplies officers		387,300,000	
7	Kenya Trade Network			614,100,000	
8	Public Privatization Commission	Regulatory body		387,300,000	