

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

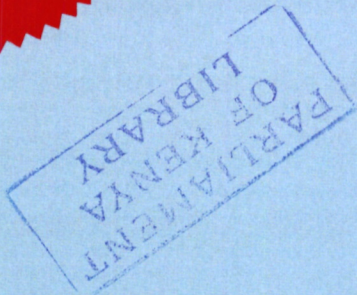
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
GOVERNMENT OF KENYA SHARE
SUBSCRIPTION AND CAPITAL
CONTRIBUTION TO INTERNATIONAL
ORGANIZATIONS

FOR THE YEAR
ENDED 30 JUNE 2016

THE NATIONAL TREASURY



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by LOM
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THE NATIONAL TREASURY

**SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO
INTERNATIONAL ORGANISATIONS**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

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SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements
for the year ended June 30, 2016 (Kshs)

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

(b) Key Management

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

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury for efficient delivery of public services that have been assigned to this Ministry. The Principal Secretary is also charged with the responsibility of rendering advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility of the National Treasury.

Organizational structure of the National Treasury

The Ministry 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.

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

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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 Auditor Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management

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 eleven (11) 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

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:-

No.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, AS&QA	Mr. Bernard Ndung'u
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Director General, PDMO	Mr. Wohoro Ndohho
7.	Ag. Director, Macro & Fiscal Affairs Department	Mr. Wanyambura Mwambia, OGW
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Ag. Director, Financial and Sectoral Affairs Department	Mr. Nzomo Mutuku
10.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	Internal Auditor General	Mr. Alfayo Mogaka
12.	Ag. Director, Accounting Services Department	Mr. Wala Jona
13.	Ag. Director, National Sub County Treasuries	Mr. Tom Khakhame
14.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
15.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
16.	Ag. Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
17.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
18.	Secretary/Director, Pensions Department	Mr. Shem Nyakutu
19.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui
20.	Director of Administration	Mr David Oleshege, OGW
21.	Head, Accounts Division	Mr. George K. Gichuru
22.	Head Finance Division	Mr. Kimathi Mugambi
23.	Head, Supplies Chain Management	Mr. Peter Momanyi
24.	Director, Human Resource Management and Development	Mrs. Susan Mucheru
25.	Head, Information Communication and Technology	Mr. Edward Rutere
26.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
27.	Head, Public Communications	Mr. Maina Kigaga
28.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

The National Treasury has a well resourced internal Audit Unit. The Unit is charged with the responsibility of conducting risk based, value for money and systems audit, providing assurance that appropriate institutional policies, procedures and business practices are being followed; verifying the existence of assets administered by the Ministry, and evaluating the adequacy and reliability of information available to the management. The Unit reports directly to the accounting officers on a regular basis.

Audit Committee

The Audit Committee forms a key element in the governance process and its principle role is that of providing oversight of financial reporting, risk management and internal controls. The National Treasury established an audit committee comprising officers from all departments of the Ministry. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee ensures that audit queries and external audit recommendations are fully addressed.

Budget Implementation Committee

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising 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.

(e) The National Treasury Headquarters

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

(f) The National Treasury Contacts

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

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the Country. As a result of consistent implementation of the bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.6 percent in 2015 compared to 5.3 percent growth in 2014. This strong growth was supported by positive growth in agriculture, forestry and fishing (4.8 percent), mining and quarrying (6.9 percent), electricity and water supply (8.5 percent), wholesale and retail trade (7.3 percent), accommodation and restaurant (12.1 percent) and information and communication (9.7 percent). Growth in other sectors, particularly manufacturing, construction, finance and insurance and real estate remained robust.

The annual inflation rate was 6.4 percent by June 2016 compared 6.5 percent in June 2015, and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent. The Kenya shilling continued to display relatively less volatility compared with the major regional currencies due to improved Diaspora remittances and the narrowing of the current account deficit while official foreign exchange reserves held by the Central Bank grew to US\$ 7,648 million (equivalent to 5.1 months of import cover) by June 2016 from US\$ 7,212 million (4.5 months of import cover) in June 2015.

In budget performance, the National Treasury expenditure stood at **Kshs.38,735,101,627.00** against an approved budget of **Kshs.40,667,213,863.00** in recurrent while Development expenditure stood at **Kshs.43,784,489,609.00** against an approved budget of **Kshs.45,836,475,797** giving an overall absorption rate of 95.4%.

Other key achievements during the year under review are:-

- The National Treasury mobilized external resources amounting to Kshs.366.67 billion. This included Kshs.320.23 billion in loans and Kshs.46.44billion in grants.
- The National Treasury continued to support Kenya Revenue Authority to achieve its target in revenue collection and simplification of the tax system. This included the implementation of the *i-tax* platform.
- In its commitment to deepen the Financial Markets, the Ministry finalized the Financial Services Authority bill and disseminated to stakeholders for comments and prepared the draft Nairobi International Financial Centre Bill.
- The National Treasury developed a pipeline of 65 bankable Public Private Partnership projects ready for investment. Other achievements in promoting PPP include continuous financial, technical and legal support to MDAs in the preparation of PPP projects, development of standardized documentation framework to support implementation of PPP and development of a template on PPP project submission.
- The National Treasury continued to build capacity on Public Financial Management in Ministries, Departments, Agencies as well as County Governments. 1,297 officers were trained over the financial year 2015/16 across the country.

Some of the challenges the National Treasury faced while implementing the budget 2015/16 include:-

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

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

1. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
2. Strengthen capacity building in public financial management to MDAs and County Governments to ensure that the high expectations linked to devolution are met.
3. Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
4. Ensure constant collaboration between the National Treasury and all the Stakeholders.
5. Promote the Public Private Partnership initiatives to finance government capital projects.
6. Engage other developments partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
7. Fast track and implement the proposed new scheme of service for the National Treasury officers to retain staff.



HENRY K. ROTICH, EGH
CABINET SECRETARY

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements for the year ended June 30, 2016 (Kshs)

(a) Background information

The National Treasury pays subscriptions to International Organisations as per the terms of commitments to the institutions that it is affiliated to. The institutions are

- (i) International Finance Corporation
- (ii) International Bank for Reconstruction and Development / I.D.A.
- (iii) African Development Bank
- (iv) International Monetary Fund
- (v) Multilateral Investment Guarantee Agency (M.I.G.A.)

The expenditure is charged to Consolidated Fund services in accordance with section 4 of the International Finance Corporation Act Cap 466, section 4 of the Bretton Woods Agreement Act Cap 464, section 4 of International Development Association Act Cap 465 and section 3 of the African Development Bank Act Cap 492. At cabinet level, The National Treasury is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction.

(b) Independent Auditors

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

(c) Principal Legal Adviser

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

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

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 financial statements for Share Subscriptions and Capital Contribution to International Organizations which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2016. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (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 Share Subscriptions and Capital Contribution to International Organizations accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Accounting Officer in charge of the Share Subscriptions and Capital Contribution to International Organizations further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

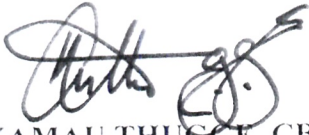
The Accounting Officer in charge of the Share Subscriptions and Capital Contribution to International Organizations confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity'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.

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

Approval of the financial statements

The financial statements for Share subscription and capital contributions to International Organisations were approved and signed by the Accounting Officer on 30/9/ 2016.



Dr. KAMAU THUGGE, CBS
ACCOUNTING OFFICER



GEORGE KIHARA GICHURU
SENIOR ASSISTANT ACCOUNTANT GENERAL

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON GOVERNMENT OF KENYA SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANIZATIONS FOR THE YEAR ENDED 30 JUNE 2016 - THE NATIONAL TREASURY

I have audited the accompanying financial statements of Government of Kenya Share Subscription and Capital Contribution to International Organizations set out on pages 11 to 23, which comprise the statement of financial assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and the summary statement of appropriation: recurrent 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 audit.

Management Responsibility for the Financial Statements

The Accounting Officer-National Treasury is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on the Financial Statements of Government of Kenya Share Subscription and Capital Contribution to International Organizations for the year ended 30 June 2016 – The National Treasury

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Unsupported Balance

The statement of details of Kenya Government share subscription and capital contribution to international organizations under note 5 to the financial statements reflects local value of subscriptions totalling Kshs. 51,403,651,783 against various amounts in foreign currencies as at 30 June 2016. However, independent confirmation of balances as at 30 June 2016, were received from only four out of the twelve organizations.

In addition, the amount confirmed by two out of those four organizations differs with the balances reflected in the statement submitted by the National Treasury as follows:

Organization	Balance as per the Statement (Foreign currency)	Balance as per the Statement (Local value) Kshs.	Balance as per the Confirmation (Foreign currency)
(i) P.T.A. Bank Harare	USD 24,208,356.00	2,447,518,049.98	USD 25,967,315.00
(ii) Macro-Economic Financial Management Institute	USD 355,255.00	35,917,026.06	USD 384,162.00
	Total	2,483,435,076.04	

No explanation has been provided for these differences.

In addition, independent confirmations of Government of Kenya share subscriptions and capital contribution balances as at 30 June 2016 were not received from the eight organizations listed below:

Organization	Balance as per the Statement (Foreign currency)	Balance as per the Statement (Local Value) Kshs.
(i) International Monetary Fund	SDR 258,124,458.00	36,444,592,225.02
(ii) International Bank for Reconstruction and Development	US 15,899,693.01	1,607,493,942.64
(iii) International Development Association Washington D.C	USD. 2,361,413.00	238,744,049.41
(iv) African Dev. Bank Abidjan	U.A 48,010,000.00	6,882,262,306.00
(v) Multilateral Investment Guarantee Agency	USD 622,383.00	62,924,290.54
(vi) Shelter Afrique	USD 7,007,546.00	708,478,317.20
(vii) East Africa Development Bank Kampala	USD 22,500,000.00	2,274,799,500.00
(viii) Africa Export-Import Bank	USD 2,391,807.00	241,816,949.68
	Total	48,461,111,580.49

Further, the subscriptions for 2014/2015 totalling Kshs. 116,813,106,919.00 in respect of ten organizations, were restated to Kshs.49,750,957,607.00 by converting balances in foreign currencies obtained from the Organizations as tabulated in the following table:

Organization	Statement Balance-2014/15 (Foreign currency)	Statement Balance-2014/15 (Local Value) Kshs.	Statement Balance-2014/15- Restated (Foreign currency)	Statement Balance-2014/15- Restated (Local Value) Kshs.
(i) International Monetary Fund	SDR 261,156,794.00	36,397,422,379.78	SDR 254,797,122.40	35,974,805,711.45
(ii) International Bank for Reconstruction and Development	US 296,882,735.02	29,284,334,852.73	US 15,512,384.29	1,568,336,178.70
(iii) African Dev. Bank Abidjan	U.A 260,960,000.00	35,481,165,440.00	U.A 45,536,130.58	6,527,631,640.00
(iv) Multilateral Investment Guarantee Agency	USD 3,278,460.00	323,385,327.32	USD 607,222.05	61,391,485.70
(v) Shelter Afrique	USD 2,000,000.00	197,278,800.00	USD 6,836,845.62	691,220,132.90
(vi) East Africa Development Bank Kampala	USD 80,000,000.00	10,877,120,000.00	USD 21,951,911.04	2,219,386,500.00

(vii) P.T.A. Bank Harare	USD 26,680,000.00	3,627,519,520.00	USD 23,618,652.32	2,387,897,710.85
(viii) African Capacity Building Initiative	USD 250,000.00	24,659,850.00	USD 487,820.25	49,319,700.00
(ix) Africa Export-Import Bank	USD 5,960,000.00	587,890,824.00	USD 2,333,543.75	235,926,407.40
(x) Macro-Economic Financial Management Institute	USD 125,000.00	12,329,925.00	USD 346,601.16	35,042,140.05
	TOTAL	116,813,106,919.00		49,750,957,607

However, notes explaining the restated balances were not presented for audit. Consequently it has not been possible to confirm the validity and accuracy of the comparative balances as at 30 June 2016.

2. Bank Reconciliation

The Bank Reconciliation statement for the statement of expenditure on subscription by Kenya Government to International Organizations has not been presented for audit. The statement of financial assets reflects a bank balance of Kshs.2.00 but accuracy of this balance cannot be confirmed in absence of the records.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Government of Kenya Share Subscription and Capital Contribution to International Organizations as at 30 June 2016, 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 does not comply with Public Finance Management Act, 2012.



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

Nairobi

06 July 2017

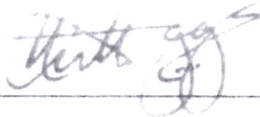
SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
RECEIPTS			
Exchequer releases	1	1,843,460	0
TOTAL RECEIPTS		1,843,460	0
PAYMENTS			
Other Payments - Capital Contribution to IDA	2	(1,843,458)	0
TOTAL PAYMENTS		(1,843,458)	0
SURPLUS/DEFICIT		2	0

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 _____ 2016 and signed by:



DR KAMAU THUGGE, CBS
Principal Secretary

29/9/16
Date



GEORGE K. GICHURU
Senior Assistant Accountant General

29/9/16
Date

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

I. STATEMENT OF FINANCIAL POSITION

	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	3A	2	0
Cash Balances	3B	0	0
Total Cash and cash equivalent		<u>2</u>	<u>0</u>
Accounts receivables - Outstanding Imprests		0	0
TOTAL FINANCIAL ASSETS		<u>2</u>	<u>0</u>
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions		0	0
NET FINANCIAL ASSETS		2	0
REPRESENTED BY			
Fund balance b/fwd		0	0
Surplus/Deficit for the year		2	0
NET FINANCIAL POSSITION		<u>2</u>	<u>0</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2016 2016 and signed by:



DR. KAMAU THUGGE, CBS
ACCOUNTING OFFICER



GEORGE KIHARA GICHURU
SENIOR ASSISTANT ACCOUNTANT GENERAL

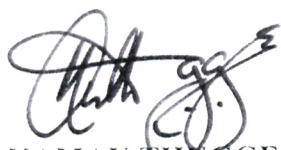
SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

II. STATEMENT OF CASHFLOW

		2014 - 2015 Kshs	2013 - 2014 Kshs
Receipts for operating income			
Exchequer Releases	1	1,843,460	0
Payments for operating expenses			
Other Expenses - Capital Contribution to IDA	2	(1,843,458)	0
Net cash flow from operating activities		2	0
CASHFLOW FROM INVESTING ACTIVITIES		0	0
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		0	0
NET INCREASE IN CASH AND CASH EQUIVALENT		2	0
Cash and cash equivalent at BEGINNING of the year		0	0
Cash and cash equivalent at END of the year	3	2	0

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/ 2016 and signed by:



DR. KAMAU MUGGE, CBS
ACCOUNTING OFFICER



GEORGE KIHARA GICHURU
SENIOR ASSISTANT ACCOUNTANT GENERAL

I. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a-b	d	e=c-d	f=d c %
RECEIPTS						
Exchequer releases	2,243,458	0	2,243,458	1,843,460	399,998	82%
PAYMENTS						
Other Payments – Share Subscription and Capital Contributions	(2,243,458)	0	(2,243,458)	(1,843,458)	(400,000)	82%
NET TOTALS	0	0	0	2	(2)	82%

(a) [The expenditures of the entity is a direct charge to the Consolidated Fund and has no revenue items.]

(b) [The budget utilisation is 82%.]

The entity financial statements were approved on 30/9 2016 and signed by:



DR. KAMAU THUGGE, CBS
ACCOUNTING OFFICER



GEORGE KIHARA GICHURU
SENIOR ASSISTANT ACCOUNTANT GENERAL

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements
For the year ended June 30, 2016 (Kshs)

X. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and applicable government legislations and regulations. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the National Government. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. **Recognition of revenue and expenses**

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

3. **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 revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. **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.

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

5. **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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure 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.

6. **Accounts Payable**

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

7. **Non current assets**

Non current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. **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 are 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. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

9. **Budget**

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

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

10. Comparative figures

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

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to The National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of The National Treasury.

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

X. NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 EXCHQUER RELEASES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Total Exchequer Releases for quarter 1	0	0
Total Exchequer Releases for quarter 2	0	0
Total Exchequer Releases for quarter 3	1,843,460	0
Total Exchequer Releases for quarter 4	0	0
Total	1,843,460	0

NOTES TO THE FINANCIAL STATEMENTS

2 OTHER EXPENSES

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Budget Reserves	0	0
Civil Contingency Reserves	0	0
Other expenses – Share subscription and Capital contribution	1,843,458	0
	1,843,458	0

3A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent (R053)	Exc rate (if in foreign currency)	2015 - 2016	2014 - 2015
				Kshs	Kshs
Central Bank of Kenya, Account No. 1000204427		REC.	N/A	2	0
Total				2	0

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

NOTES TO THE FINANCIAL STATEMENTS

3B: CASH IN HAND

	2015 - 2016	2014 - 2015
	Kshs	Kshs
Cash in Hand – Held in domestic currency	0	0
Cash in Hand – Held in foreign currency	0	0
Total	0	0

SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

4. 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.

Referen ce 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)
83	Accounting Policies	This was an omission and the Accounts were amended to incorporate the significant Accounting policies adopted and have been forwarded for Audit review.	Hubert Anyanga	Awaiting resolution	
84	Unconfirmed Balances	The National Treasury requested the organizations to confirm and nine had confirmed by the time of audit. The remaining three have since confirmed and forwarded for audit review.		Review is on-going	
85	Bank Reconciliation	The initial bank reconciliation statement reflected a balance of Kshs. 2,327,778.30. However, the National Treasury vide letter reference AG: 17/11/Vol.6 dated 30 th June, 2014 instructed Central Bank of Kenya to transfer the bank balance		Awaiting resolution	

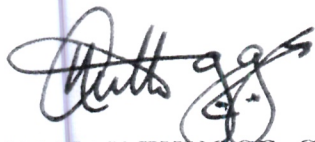
SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANISATIONS

Reports and Financial Statements For the year ended June 30, 2016 (Kshs)

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)
		to the Exchequer. The bank reconciliation statement was revised to reflect nil balance.			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



DR. KAMAU THUGGE, CBS
ACCOUNTING OFFICER



GEORGE KIHARA GICHURU
SENIOR ASSISTANT ACCOUNTANT GENERAL

THE NATIONAL TREASURY

DETAILS OF KENYA GOVERNMENT SHARE SUBSCRIPTION AND CAPITAL CONTRIBUTION TO INTERNATIONAL ORGANIZATIONS AS AT 30TH JUNE, 2016

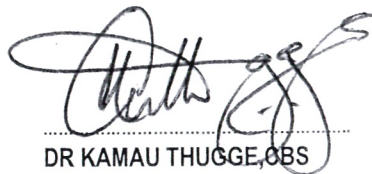
S/No.	ORGANIZATION	CURRENCY	FOREIGN VALUE	Local Value 2015/2016 Kshs	Local Value 2014/2015 Kshs	DESCRIPTION
1	International Monetary Fund	SDR	258,124,458.00	36,444,592,225.02	35,974,805,711.45	Subscription of SDR 258,536,527.63 to IMF as per various resolutions. In the initial Quarter allocation of 1964, about 10% of subscription was paid in cash and the balance by issue of promissory notes. Thereafter, the 1st & 2nd Quarter increases were paid approximately 25% in cash and the balance negotiable by issue of non-negotiable, non-interest bearing promissory Notes. The remaining Quarter increases were met by issue of non-negotiable, non-interest bearing promissory Notes. The Notes were deposited with Central Bank of Kenya. In addition, the Government has also deposited non-negotiable, non-interest bearing Promissory Notes for the maintenance of the value of Kenya Shilling after the devaluation of the Kenya Shilling. The value of the Promissory Notes now held by the Central Bank of Kenya amounts to Kshs. 34,897,334,276.38
2	International Bank for Reconstruction & Development Washington D.C.	USD	15,899,693.01	1,607,493,942.64	1,568,336,178.70	Subscription of 2,711 shares of US\$ 120,635 per share. USD 1,589,969.30 (the "Paid-in") is payable at the time of subscription. USD 311,141,792.01 (the "callable portion") may be called by the Bank only in circumstances it needs these funds. Government has also deposited with the CBK four non-negotiable, non-interest bearing Promissory Notes value in total - Kshs.10,323,800.
3	International Finance Corp. Washington D.C.	USD	4,041,000.00	408,553,990.20	398,601,815.40	Subscription of US\$ 4,041,000 to the Corporation being Kenya's share of 4,041 shares of US\$ 1,000 each in the Corporation. This is part of US\$ 623,741 shares in the Corporation.
4	International Dev Association Washington D.C.	USD	2,361,413.00	238,744,049.41	232,928,361.45	In addition the Govt. has deposited with the CBK as depository for the Association six non-negotiable, non-interest bearing Promissory Notes for Kshs 14,116,200.
5	African Dev. Bank Abidjan.	U.A	48,010,000.00	6,882,262,306.00	6,527,631,640.00	Subscription of 91,526 shares of U.A. 10,000 each. Total value is A.U. 91,526 of which pai-in shares are AU 4,801 while collable shares are 86,725.
6	Multilateral Investment Guarantee Agency	USD	622,383.00	62,924,290.54	61,391,485.70	Subscribed shares of 172 of MIGA's initial capital of \$10,820 per share. Capital increase shares subscribed 131. Total shares subscribed is 303 of \$ 10,820 per share. 10% and 17.65% of the shares payable in cash and 186,104 payable in form of non interest bearing promissory note while 2,656,077 the remainder is collable portion.
7	Shelter Afrique	USD	7,007,546.00	708,478,317.20	691,220,132.90	Subscription of 6,617 class 'A' shares of US\$ 1,000 each in Shelter Afrique as per Treasury letter conf.36/011/A/107 of 15th Nov 1982, 1000 shares called and paid. Share premium is USD 390,546 and dividends payable to Kenya is USD 103,318.00
8	East African Development Bank Kampala	USD	22,500,000.00	2,274,799,500.00	2,219,386,500.00	Subscribed capital of 3,800 shares of 13,500 per value amounting to USD 51,300,000.00. Capital contribution paid is USD 22,500,000.00. Balance of USD 28,800,00.00 is collable.
9	P.T.A Bank Harare	USD	24,208,356.00	2,447,518,049.98	2,387,897,710.85	Subscription of 5,340 share capital of PTA Trade and Development Bank valued at USD 121,041,780.00.Chapter 9 of Treaty of PTA established the Bank. Paid up capital is USD 24,208,356 and callable capital is USD 96,833,424.

10	African Capacity Building Initiative	USD	500,000.00	50,551,100.00	49,319,700.00	Contribution to ACB Fund for third strategic medium term plan(SMTP III) fully paid.
11	African Export-Import Bank	USD	2,391,807.00	241,816,949.68	235,926,407.40	Subscription of 596 shares of nominal value USD 10,000 being capital of African Export - Import Bank Kenya's Allocation is USD 5,960,00 million, paid up USD 2,391,807 and dividends deposit of USD 13,145.60.
12	Macro - Economic & Financial Management Institute (MEFMI)	USD	355,255.00	35,917,062.06	35,042,140.05	Subscription Membership in US\$ 125,000. Entry fee US\$ 27.750(Equivalen to Ksh 88,800) Kenya's annual contribution fully pay as at 23.02.2015.
				51,403,651,782.73	50,382,487,783.90	

FOOT NOTES:-

The value of the local currency is converted at the exchange rate ruling on June 30th 2016 as follows:

1USD	101.1022
1SDR	141.1900
1UA	143.3506



DR KAMAU THUGGE, OBS
PRINCIPAL SECRETARY

DATE... 30/9/16



GEORGE KIHARA GICHURU
SENIOR ASST. ACCOUNTANT GENERAL

DATE... 30/9/16