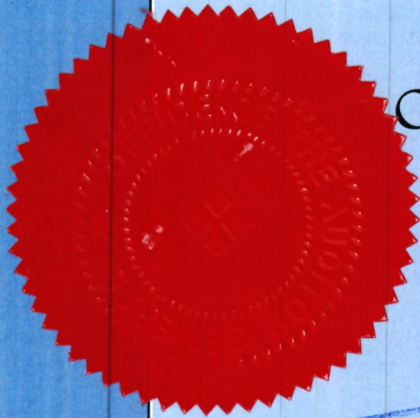


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 27 JUN 2019	DAY: <u>Tuesday</u>
TABLED BY: <u>Mr. Washaki Jomo</u>	
CLERK-AT-THE-TABLE: <u>Mujib Pasly Wagh.</u>	
	<u>Lemuo Nasy.</u>

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL EXCHEQUER ACCOUNT

FOR THE YEAR
ENDED 30 JUNE 2018





THE NATIONAL TREASURY

National Exchequer Account Financial Statements

For the Financial Year ended 30th June 2018

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



	Page No.
Table of contents	
1. National Treasury Information and Management	i
2. Forward by the Cabinet Secretary	ix
3. Overview of National Exchequer Operations.....	xiii
4. Statement of the Management's Responsibilities.....	xv
5. Report of the Independent Auditors	xvi
6. Statement of Receipts and Payment Statement for the year ended 30th June 2018.....	1
7. Statement of Assets and Liabilities as at 30th June 2018	2
8. Statement of Cash Flow for the year ended 30th June 2018	3
9. Comparison of Budget vs Actual Performance.....	4
10. Significant Accounting Policies.....	5
11. Annex 1: Detailed Analysis of Transfers	12



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 National Treasury and Planning, who is responsible for the general policy and strategic direction of the Ministry.

Vision

An institution of excellence in economic and public financial management.

Mission

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

Core Values

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

Mandate of the National Treasury

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



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

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

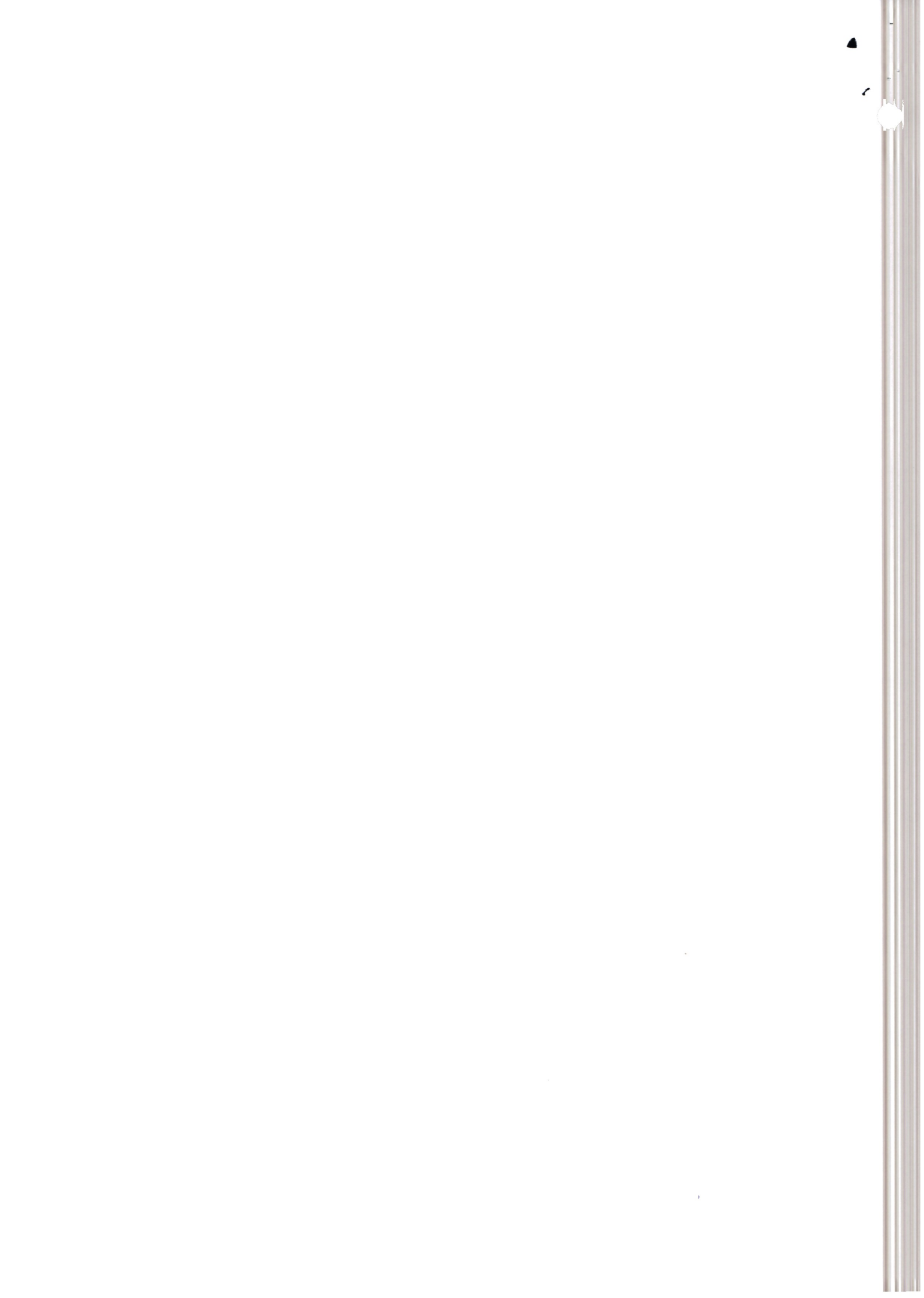
Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

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

(b) Key Management

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



Office of the Principal Secretary

This office is responsible for the administration of the National Treasury 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. The Principal Secretary is the Accounting Officer for Vote 1071 – NT.

Organizational structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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



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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

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

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



(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were: -

NO.	Designation	Name
1.	Chief Administrative Secretary	Hon. Nelson Gaichuhie
2.	Principal Secretary	Dr. Kamau Thugge, CBS
3.	Secretary Administration	Mr. Musyimi S.K, CBS
4.	Principal Administrative Secretary, CBS, SS	Mutua Kilaka, CBS,SS
5.	Director General, BFEA	Dr. Geoffrey Mwu, EBS
6.	Director General, Accounting Services & Quality Assurance	Mr. Bernard Ndung'u, MBS
7.	Director General, PIPM	Ms. Esther Koimett, CBS
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Ag. Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Internal Auditor General	Mr. Alfayo Mogaka
14.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
16.	Director Government Digital Payments	Mr. Harry Mwangi
17.	Ag Director, Financial Management Information System	Mr. Stanley Kamanguya
18.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
19.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
20.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
21.	Director, Pensions Department	Mr. Shem Nyakutu
22.	Ag. Director General Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
23.	Director, Debt Policy, Strategy & Risk Management Department	Mr. Daniel Ndolo
24.	Ag Director, Debt Recording and Settlement Department	Mrs. Felister Kivisi
25.	Head, Accounts Division	Mr. George Gichuru
26.	Head Exchequer Operations	Ms Jane W N Macharia
27.	Head, Finance	Mr. Kimathi Mugambi, HSC
28.	Head, SCM	Mr. Peter Momanyi
29.	Head, Internal Audit Unit	Mr. John Kariuki
30.	Director, Human Resource Management & Development	Ms. Susan Mucheru
31.	Ag Director, Information Communication and Technology	Mr. George Kariuki
32.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
33.	Head, Public Communications	Mr. Maina Kigaga
34.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
35.	Ag. 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 a well resourced internal Audit Unit. The unit is charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officer on a regular basis.

Audit Committee

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

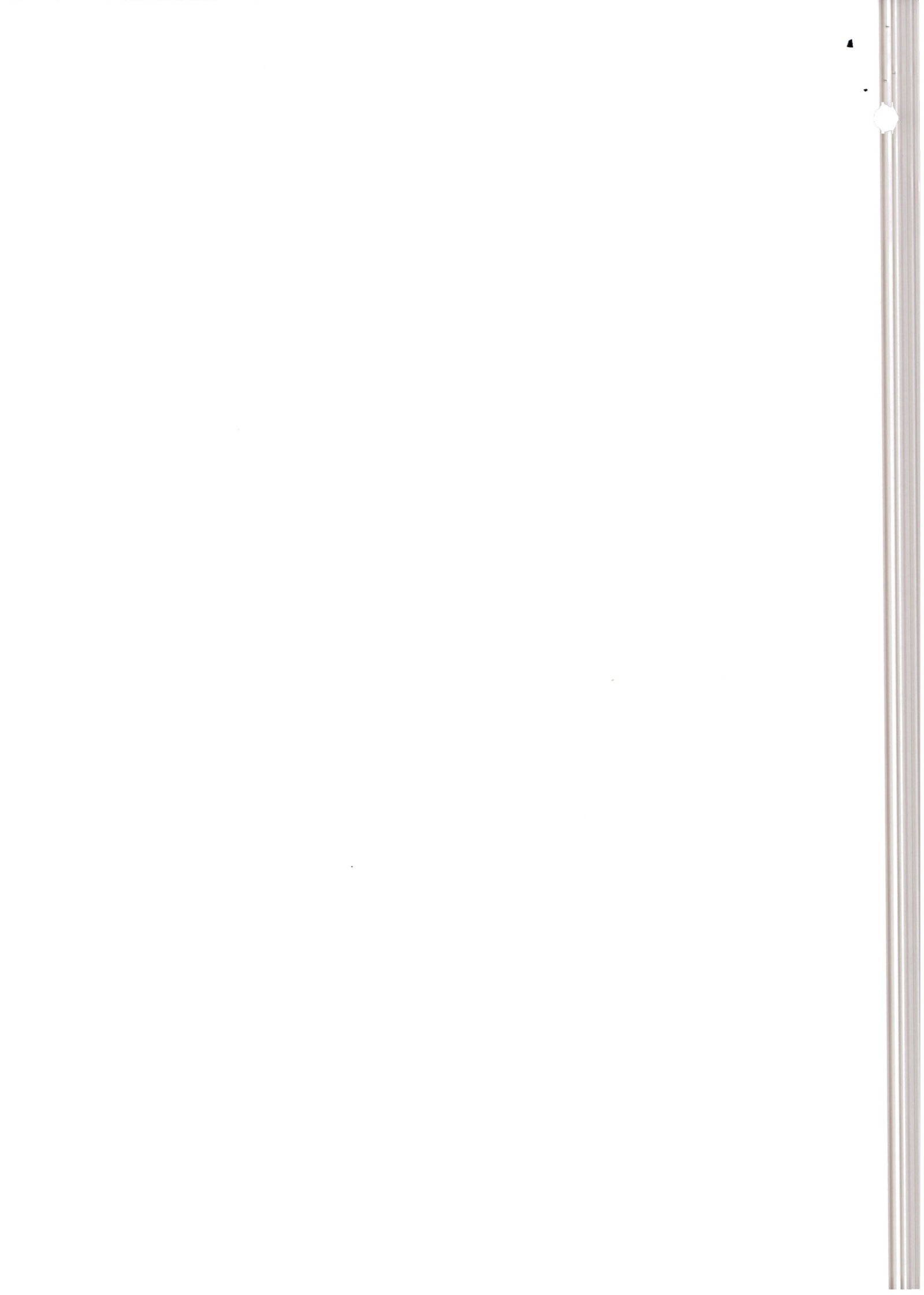
Other fiduciary oversight arrangements include the following committees with specific objectives;

Senior Management Committee

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

Public Financial Management Sector Working Group

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The



Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

Budget Implementation Committee

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

Monitoring and Evaluation

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

(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

(g) The National Treasury Bankers

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



(h) Independent Auditors

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

(i) Principal Legal Adviser

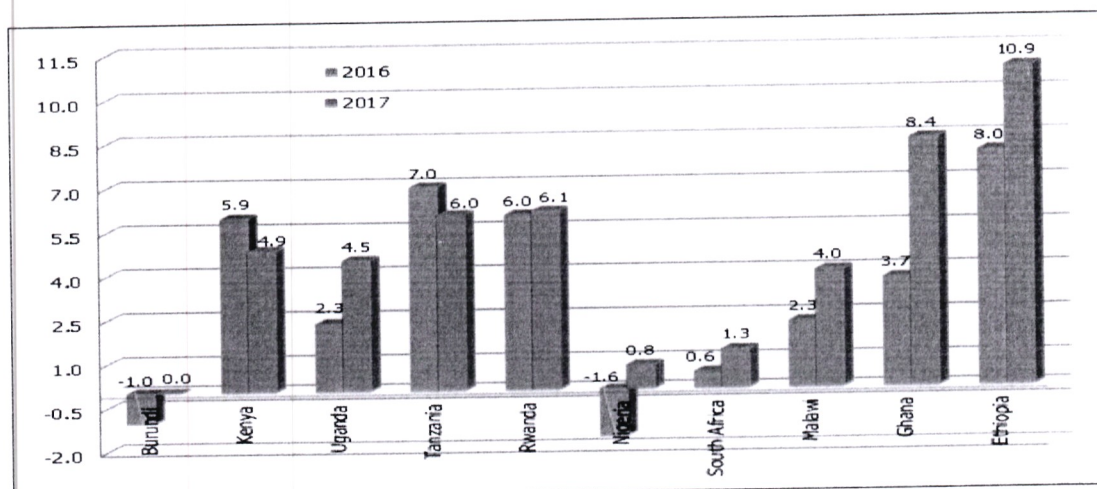
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy remained resilient in 2017 despite uncertainty associated with the prolonged political elections period coupled with the effects of adverse weather conditions. The Economy grew by 4.9 percent compared to a revised growth of 5.9 percent in 2016. In the first quarter of 2018, the economy recovered and grew by 5.7 percent compared to a growth of 4.8 percent in the same quarter last year. This growth was mainly attributed to improved weather conditions and rebound in business and consumer confidence following political stability in the country. The 4.9 percent economic growth in 2017 generated 898,000 new jobs up from 833,000 new jobs in 2016 and is above 2.8 percent average growth for the sub-Saharan Africa.

GDP Annual Growth Rates (2017 and 2018)



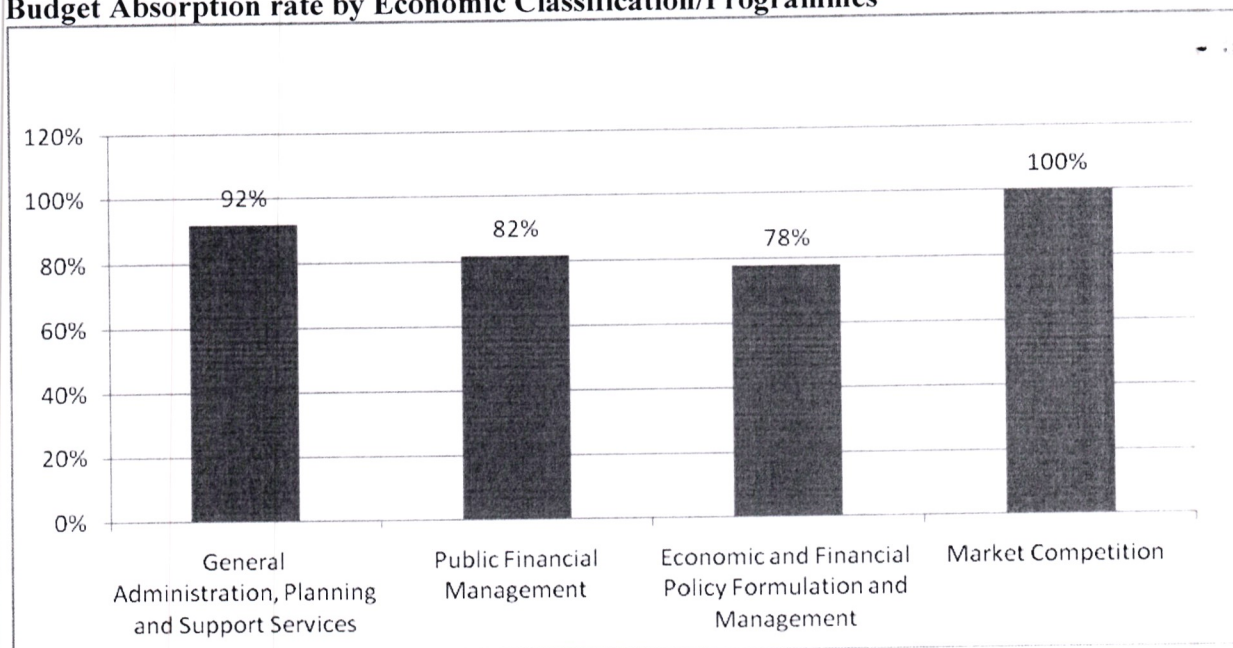
Despite the difficult circumstances faced last year, the Country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable throughout 2017. This serves as a clear demonstration to domestic as well as foreign investors of our commitment to maintain macro-economic stability, which is key in enhancing investor confidence. The Country made notable progress in 2017 in improving the ease of doing business, thereby providing a conducive business environment for both domestic and foreign investors. These reforms have seen Kenya being ranked favourably in the ease of doing business and as a top investment destination. For two consecutive years (2016 and 2017 World Bank's Doing Business Reports), Kenya emerged as the third most reformed country in the world, and in the 2018 Report, as the third best in sub-Saharan Africa and position 80 overall.



The 2017 Ernst & Young (EY) Africa Attractiveness Index ranked Kenya second top investment hub in Africa, after Morocco. The Report also classifies Kenya as the top most preferred investment destination in East Africa, with the majority of investors being attracted by the good infrastructure, ease of doing business, and strong economic growth and prospects.

In terms of budget performance, the National Treasury expenditure stood at Kshs.39.416m against an approved budget of Kshs.42.540m in Recurrent while Development expenditure stood at Kshs 9.761m against an approved budget of Kshs.11.862m giving an overall absorption rate of 90.5%. The National Treasury implemented the 2017/18 budget within four economic classification/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management and Market Competition. As demonstrated in the bar graph below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 92%, Public Financial Management Programme at 81.7% and Economic and Financial Policy Formulation and Management (78%).

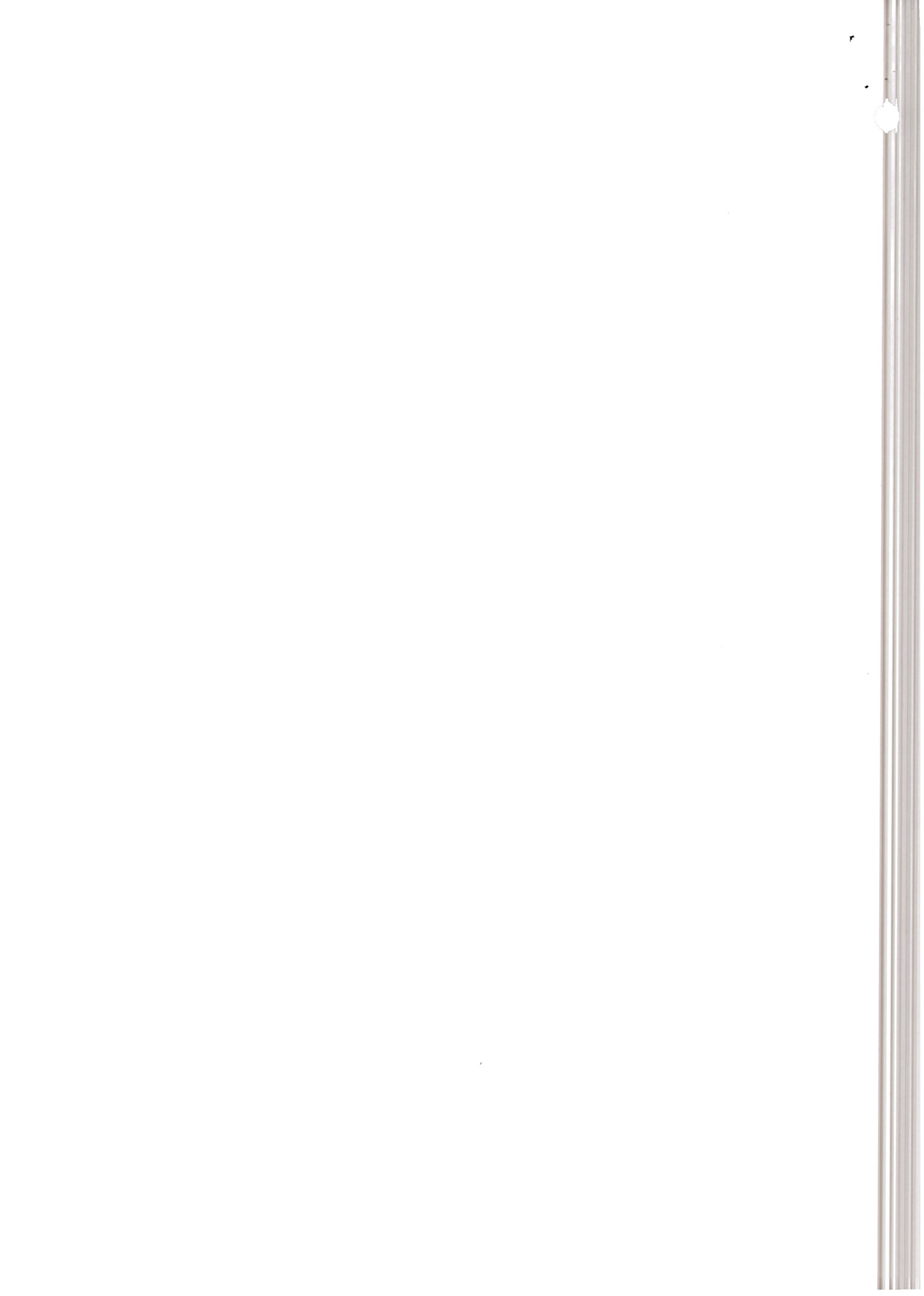
Budget Absorption rate by Economic Classification/Programmes





Other key achievements during the period under review are:-

- The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of Kshs.327 billion in 2017/2018 up from Kshs.302.2 billion in 2016/2017. Since their establishment in March 2013, County Governments have received more than Kshs.1.3 trillion from the National Government.
- In line with its commitment to enhance the County Governments capacity, the National Treasury developed the County Governments (Revenue Raising Regulation Process) Bill. The Bill is geared towards addressing the challenges County Governments are encountering in revenue collection, mitigating their negative effects and assisting the Counties to optimize own-sources revenue.
- The National Treasury successfully priced a new \$2 billion Eurobond Transaction. This issue was 7 times oversubscribed thus making it one of the highest order book for an issue from Africa, and providing a dollar yield curve stretching out to 30 years. This made Kenya one of a handful of Governments to achieve this. Specifically with the 30 year yield, international investors demonstrated their long term belief that Kenya is a stable economy in which long-term investments are safe.



Some of the challenges the National Treasury faced while implementing the 2017/18 budget include:-

1. Lack of adequate funds/exchequer to finance all the budget requests by Ministries, Departments and Agencies.
2. Low absorption of Official Development Assistance (ODA).
3. Uncertainty associated with the political elections that slowed down economic activity thus affecting revenue performance.
4. Slow enactment of relevant regulations and related legal instruments to facilitate financial sector deepening.

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

1. Maintain macroeconomic stability by ensuring that inflation, interest rates and exchange rates remain largely stable.
2. Continue to improve the environment for businesses to thrive, deal decisively with corruption and address the governance and performance challenges at our parastatals and State-linked companies, as well as improve efficiency in our financial sector in order to boost investments and create jobs.
3. Manage the level and composition of national public debt, national guarantees and other financial obligations of national government effectively;
4. 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.
5. Strengthen capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthen financial and fiscal relations between the national government and county governments
6. 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.
7. Promote the Public Private Partnership initiatives to finance government capital projects.
8. Engage other development partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
9. Ensure constant collaboration between the National Treasury and all the Stakeholders.
10. Strengthen monitoring and evaluation framework.

HENRY K. ROTICH, EGH
CABINET SECRETARY



1. Overview of National Exchequer Operations

1.1 Background

Article 206 of the Constitution of Kenya provides for the establishment of a Consolidated Fund into which shall be paid all money raised or received by or on behalf of the National Government. As outlined under Section 17 of the Public Finance Management (PFM) Act, 2012 the National Treasury is responsible for administration of the Consolidated Fund. The Consolidated Fund is maintained in the National Exchequer Account at the Central Bank of Kenya.

1.2 Receipts into the National Exchequer Account

Government revenue is received through appointed Receivers of Revenue by the Cabinet Secretary to the National Treasury pursuant to Article 209 (1), (2) and (4) of the Constitution. Receivers of Revenue are responsible for receiving, remitting to the Exchequer, and accounting for the National government revenue pursuant to section 82 of the PFM Act, 2012. During the FY 2017/2018, there were a total of 11 Receivers of revenue.

Section 78 of the PFM Act, 2012 has mandated the Kenya Revenue Authority (KRA), as the collector of National Government revenue. Revenue collected by KRA is received by the Principal Secretary, National Treasury who is the designated Receiver.

1.3 Issues from the National Exchequer Account

An appropriation Act and County Allocation Revenue Act (CARA) is required to authorize the withdrawal of funds from the Consolidated Fund. The National Treasury is required to seek Controller of Budget's approval before withdrawing funds from the National Exchequer Account to the respective National and County Government entities bank accounts.

Entities that receive funds from the Exchequer Account include National Government Ministries, Departments, and Agencies (MDAs) in accordance with the Appropriation Act and County Governments in accordance with the County Allocation Revenue Act. These entities are responsible for administration of their respective approved budgets.

1.4 Financial reporting requirements

Pursuant to Section 80(2) (a) of the PFM Act, 2012 the National Treasury is responsible for accounting for the all monies paid into and out of the Exchequer Account. Section 81 (1) of the PFM Act, 2012 further requires the Accounting Officer for a National Government entity to prepare and submit the financial statements to the Auditor-General and a copy of the statement to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation.

This statement therefore covers the operations of the National Exchequer Account for the financial year ended 30th June 2018.



1.5 Commentary on the Statement of Receipts into and Issues from the National Exchequer Account

The total receipts into the National Exchequer amounted to KShs 2.138 trillion against a budget of Kshs 2.309 trillion. The actual revenue collected compares well with the budget as it represents 92.5% of the budget.

The budgets and actuals exclude revenue in form of Appropriations in Aid (AIA), which is received and spent directly by the respective entities.

The bulk of the revenue is collected by the Kenya Revenue Authority (KRA), being the principal tax revenue collection agent for the Government.

The funds received through the Exchequer were disbursed to the National Government voted Ministries, Departments and Agencies and County Governments. In total, Kshs 2.309 trillion was appropriated during financial year 2017/2018 against which Kshs 2.066 trillion was disbursed.



2. Statement of the Management's Responsibilities

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

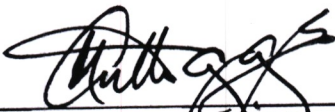
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the National Exchequer Account Financial Statements, which give a true and fair view of the state of affairs of The Exchequer account for and as at the end of the financial year (period) ended on June 30th, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the Fund by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the National Exchequer Account Financial Statements, which has been prepared on the Cash Basis Method using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the financial statements of the National Exchequer Account give a true and fair view of the performance of the Fund during the financial year ended June 30th, 2018. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for the Exchequer, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

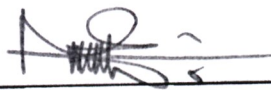
The Accounting Officer confirms that the Exchequer has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board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

Approval of the Financial Statements

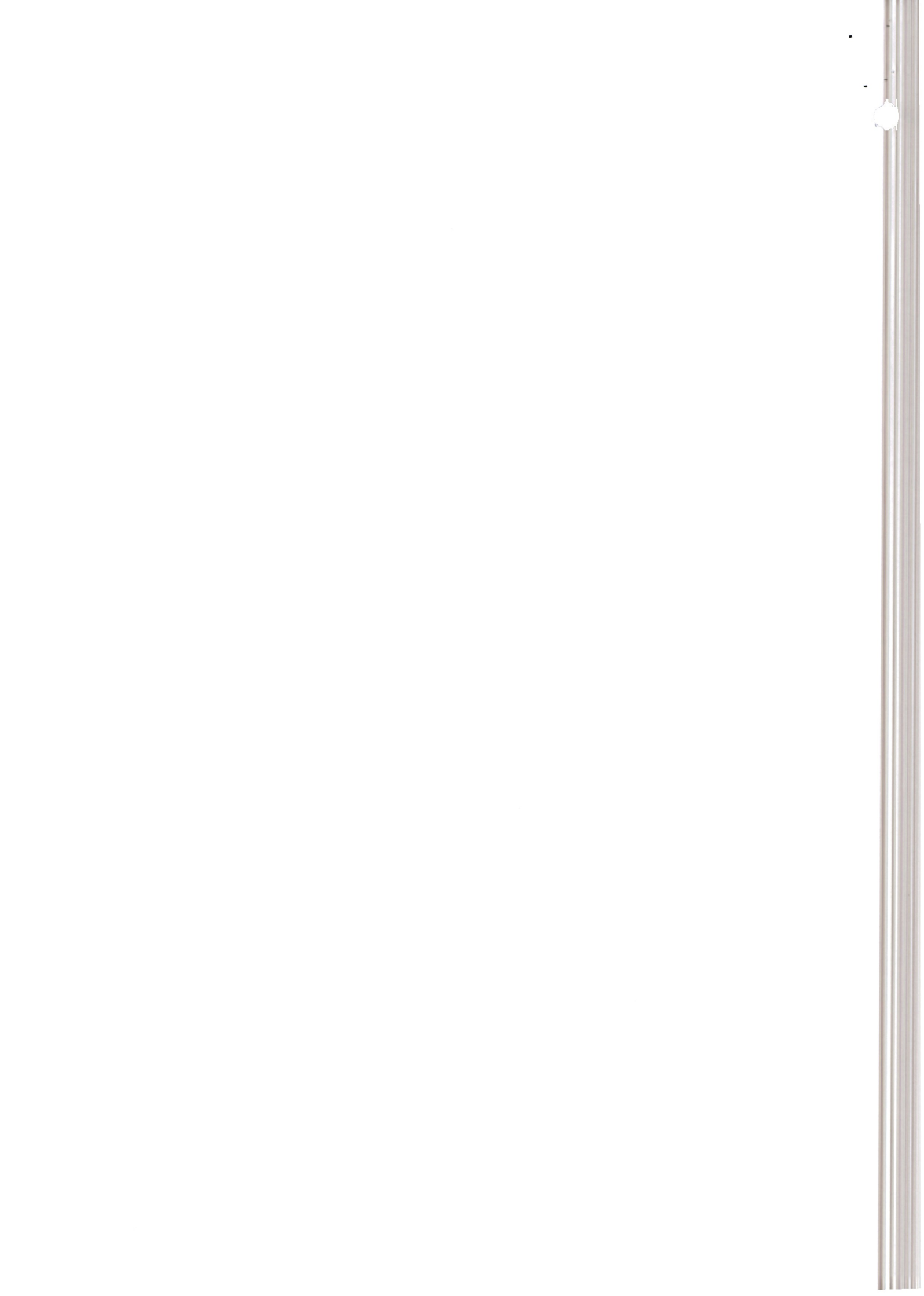
The financial statements of the National Exchequer Account were approved and signed by the Accounting Officer on 2019.



Dr. Kamau Thugge, CBS
Principal Secretary,
The National Treasury



CPA Bernard Ndungu, MBS
Director General, Accounting
Services & Quality Assurance
The National Treasury



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL EXCHEQUER ACCOUNT FOR THE YEAR ENDED 30 JUNE 2018 - NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Exchequer Account set out on pages 1 to 18, which comprise the statement of financial assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Exchequer Account as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters

1. The On-going Special Audit on Euro Bond

I wish to draw your attention to the statement of receipts into and issues from the National Exchequer Account for the year ended 30 June 2017 which reflect an Exchequer balance of Kshs.30,928,022,008.90 as at the end of the financial year. However, and as indicated in the Auditors report for 2014/2015 the receipt of net proceeds from commercial financing (Sovereign/Euro Bond) of Kshs.215, 469,626,036 accounted for in 2014/2015 financial year could not be ascertained as investigation into

Report of the Auditor-General on the Financial Statements of National Exchequer Account for the year ended 30 June 2018 - National Treasury

the receipts, issues, accounting and utilization of the funds related to the Sovereign/Euro Bond had not been concluded as at 30 June 2018. Under the circumstances, the accuracy of the Exchequer balance of Kshs.59,808,758,120.81 brought forward from 2015/2016 may be affected by the outcome of the on-going special audit on Euro Bond.

2. Budget Control and Performance

A review of the statement of comparison of budget and actual performance and reference to Annex 1: Detailed analysis of transfers, to the financial statements indicate that the Exchequer disbursements to (12) twelve Ministries, Departments and Agencies (MDAs) for the period under review was at 94% and 87% of their budgeted allocations for Recurrent and Development votes respectively. Under the Recurrent Vote, some MDAs received as low as 56% of their voted provisions while others received their total allocation. Similarly, under the Development Vote, other MDAs received as low as 0% of their voted provisions while others received their total allocation. Failure to release the budgeted provisions may hinder the accomplishment of the planned projects by MDAs and hence affect the service delivery to the citizens by the entities. The budget implementation process of such MDAs whose funds were not released may be hampered and the Government may not achieve its intended objective as earmarked projects may not be implemented due to lack of funding.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the applicable basis of accounting unless the National Government either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 policies and procedures may deteriorate.

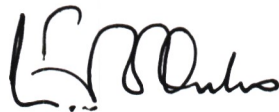
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or 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 as a going concern or 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.



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

Nairobi

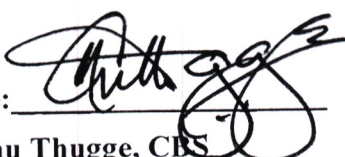
19 March 2019




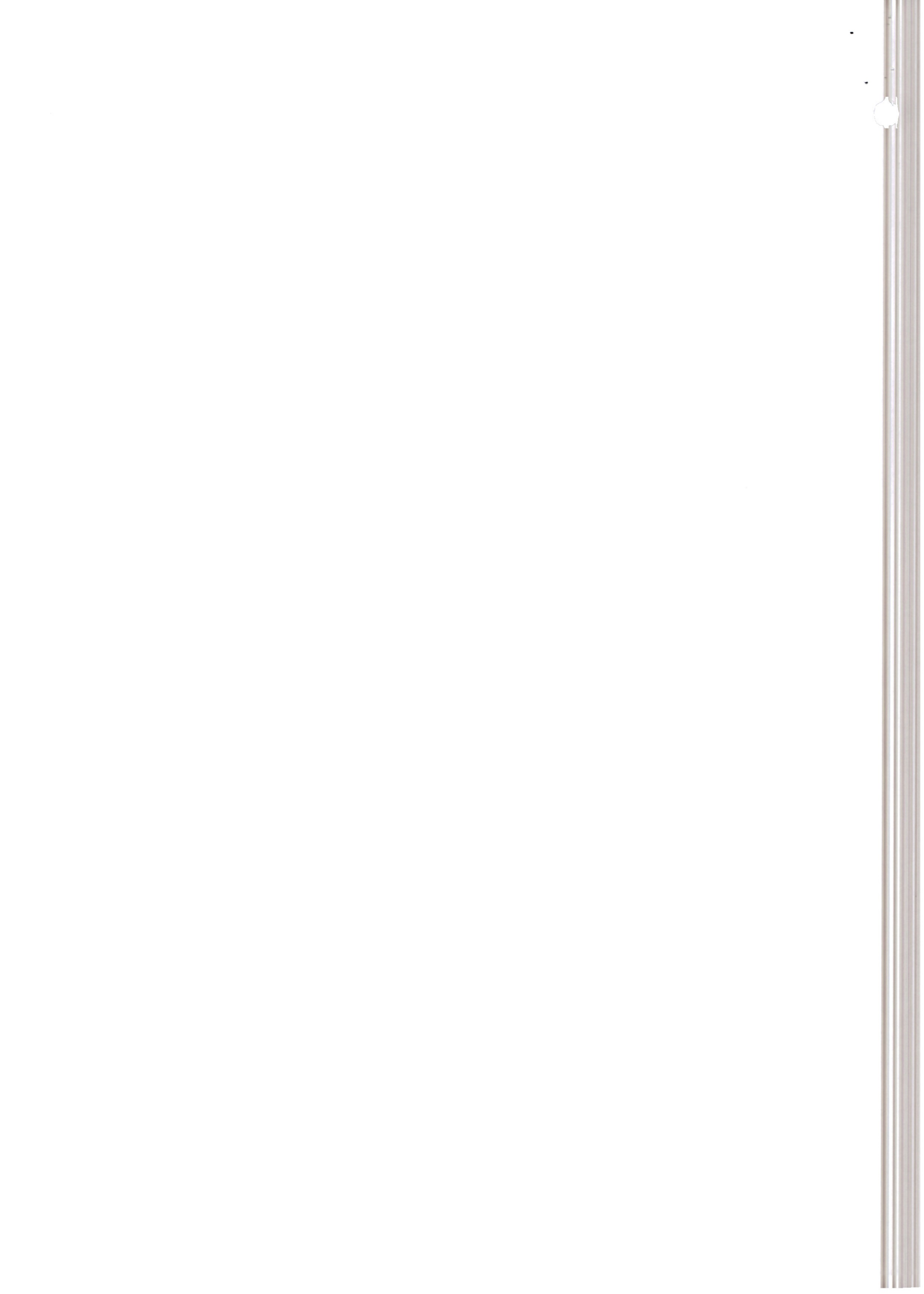
4. Statement of Receipts and Payment Statement for the year ended 30th June 2018

	Notes	2017/2018	2016/2017
		Kshs	Kshs
Receipts			
Tax income	8.2 (a)	1,311,692,286,771.10	1,253,462,715,508.60
Non tax income	8.2 (b)	58,210,790,822.25	60,849,307,894.49
Grants received through National Exchequer Account	8.3	16,653,484,278.85	14,371,810,089.40
Net domestic borrowing Proceeds	8.4	420,973,660,000.00	414,990,100,000.00
Proceeds from external borrowings	8.5	330,757,837,696.25	224,433,972,940.10
Total Exchequer Receipts	8.6	2,138,288,059,568.45	1,968,107,906,432.59
Transfers from the Exchequer			
National Government Recurrent	Annex 1.1	890,692,346,615.00	819,940,446,000.00
National Government Development	Annex 1.2	276,350,152,443.65	394,229,440,636.50
Consolidated Fund Services	Annex 1.3	583,207,916,206.65	498,110,300,908.00
Total National Government		1,750,250,415,265.30	1,712,280,187,544.50
County Governments	Annex 1.4	316,176,892,959.90	284,708,455,000.00
Total Exchequer transfers	8.7	2,066,427,308,225.20	1,996,988,642,544.50
(Deficit) / Surplus for the Year		71,860,751,343.25	(28,880,736,111.91)

The notes on pages 5 to 11 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on.....2019 by the following:

Signature: 
Dr. Kamau Thugge, CBS
Principal Secretary,
The National Treasury

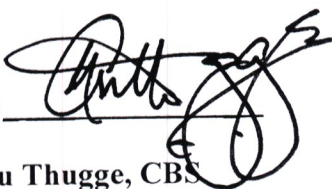
Signature: 
CPA Bernard Ndungu, MBS
Director General Accounting
Services & Quality Assurance
The National Treasury



5. Statement of Assets and Liabilities as at 30th June 2018

	Note	2017/2018 Kshs	2016/2017 Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	8.8	102,788,773,352.15	30,928,022,008.90
Total Cash and Cash Equivalents	8.8	102,788,773,352.15	30,928,022,008.90
Accounts Receivables			
Outstanding Imprests		-	-
Total Financial Assets	8.8	102,788,773,352.15	30,928,022,008.90
Financial Liabilities			
Accounts Payables – Deposits And Retentions		-	-
Net Financial Assets		102,788,773,352.15	30,928,022,008.90
Represented By			
Fund Balance B/Fwd		30,928,022,008.90	59,808,758,120.81
Surplus /(Deficit) for the year		71,860,751,343.25	(28,880,736,111.91)
Net Financial Position	8.8	102,788,773,352.15	30,928,022,008.90

The notes on pages 5 to 11 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on.....2019 by the following:

Signature: 

Dr. Kamau Thugge, CBS
Principal Secretary
The National Treasury

Signature: 

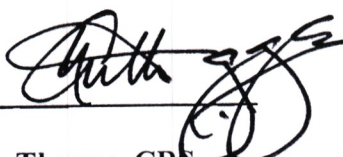
Bernard Ndungu, MBS
Director General Accounting Services
& Quality Assurance
The National treasury




6. Statement of Cash Flow for the year ended 30th June 2018

	Notes	2017/2018 Kshs	2016/2017 Kshs
Cash Flow from Operating Activities			
Total Exchequer Receipts	8.6	2,138,288,059,568.45	1,968,107,906,432.59
Transfers to MDAs and county Governments	8.7	(2,066,427,308,223.20)	(1,996,988,642,544.50)
Net Cash Flow from Operating Activities		71,860,751,343.25	(28,880,736,111.91)
Cash flow from Investing Activities		-	-
Cash flow from Borrowing Activities		-	-
Net increase/(decrease) in Cash and Cash Equivalents		71,860,751,343.25	(28,880,736,111.91)
Cash and Cash equivalents at the beginning of the year		30,928,022,008.90	59,808,758,120.81
Cash and Cash Equivalent at the end of the Year		102,788,773,352.15	30,928,022,008.90

The notes on pages 5 to 11 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on.....2019 by the following:

Signature: 
Dr. Kamau Thugge, CBS
Principal Secretary
The National Treasury

Signature: 
CPA Bernard Ndungu, MBS
Director General Accounting Services
& Quality Assurance
The National treasury



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

7. Comparison of Budget vs Actual Performance

The following statement summarizes the outturn against budget. Further details are provided under annexes to this report:

	Original Estimates	Adjustments	Revised Estimates	Total Actual FY 2017/18	Variances 2017/18	% Var 2017 /18
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue Collections:						
Tax income	1,499,446,254,298.00	(83,539,961,730.84)	1,415,906,292,567.16	1,311,692,286,771.10	104,214,005,796.06	7%
Non tax income	53,729,478,372.00	24,035,783,942.94	77,765,262,314.94	58,210,790,742.25	19,554,471,572.69	25%
Net Domestic Borrowing	466,676,631,978.00	(8,105,183,699.40)	458,571,448,278.60	420,973,660,000.00	37,597,788,278.60	8%
Grants received through National Exchequer Account	18,636,484,326.00	437,902,574.00	19,074,386,900.00	16,653,484,278.85	2,420,902,621.15	13%
External Borrowing	233,730,062,105.00	104,936,043,497.30	338,666,105,602.30	330,757,837,696.25	7,908,267,906.05	2%
Total Exchequer Receipts	2,272,218,911,079.00	37,764,584,584.00	2,309,983,495,663.00	2,138,288,059,488.45	171,695,436,174.55	7%
Exchequer Transfers:						
National Government Recurrent	878,312,230,030.00	67,335,557,830.00	945,647,787,860.00	890,692,346,615.00	54,955,441,245.00	6%
National Government Development	388,482,032,432.00	(69,984,191,675.57)	318,497,840,756.43	276,350,152,443.65	42,147,688,312.78	13%
County Governments	318,980,618,639.57	-	318,980,618,639.57	316,176,892,959.90	2,803,725,679.67	1%
Consolidated Fund Services	699,224,648,617.00	27,632,599,790.00	726,857,248,407.00	583,207,916,206.65	143,649,332,200.35	20%
Total Exchequer Transfers	2,284,999,529,718.57	24,983,965,944.43	2,309,983,495,663.00	2,066,427,308,225.20	243,556,187,437.80	11%



8. Significant Accounting Policies

8.1 Accounting policies

a) Basis of preparation

The Statement of Receipts and Payments has been prepared in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

b) Reporting entity

This report relates to financial operations of the Consolidated Fund held in the National Exchequer Account maintained at CBK. The reporting entity is the National Treasury.

c) Revenues

Revenues include receipts collected by the receivers of revenue and deposited in the Consolidated Fund pursuant to Article 206 of the Constitution of Kenya. This Article requires that all revenue collected by the National Government shall be deposited in the Consolidated Fund held at the National Exchequer Account maintained at the Central Bank of Kenya.

The receipts collected include tax collections by Kenya Revenue Authority (KRA), loans and grants from development partners, proceeds from domestic loans, and other miscellaneous deposits in the National Exchequer bank account.

d) Grants and loans from Development Partners

Grants and loans received from development partners are recognized as receipts when the funds are received in the National Exchequer Account.

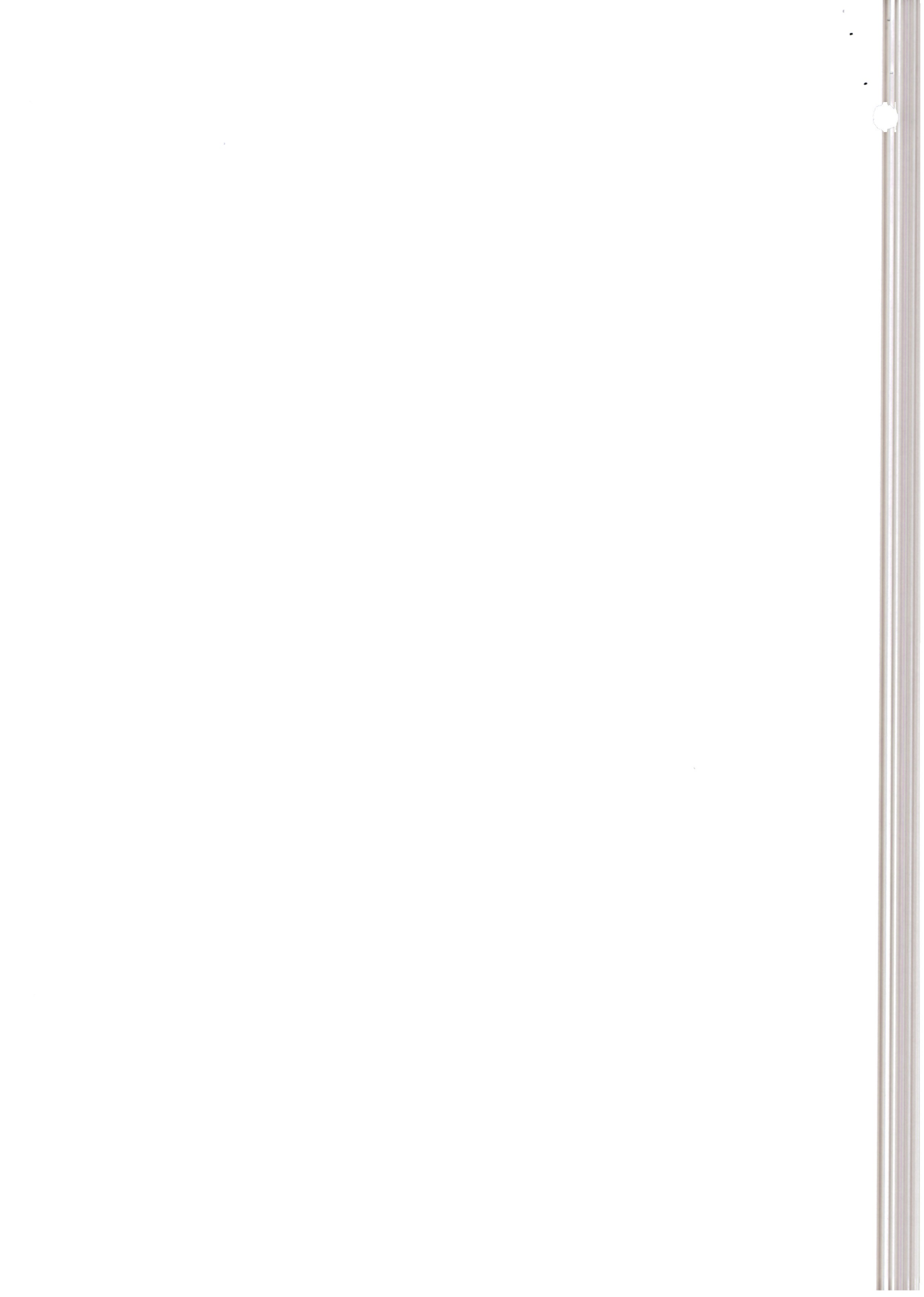
e) Exchequer Transfers

Exchequer Transfers relate to appropriations to votes based on exchequer requests made by the respective votes subject to budget provisions. The exchequer requests are received by National Treasury, which rationalizes the requests based on available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to either the recurrent or development accounts of National Government entities or the County Revenue Fund accounts of the Counties. These accounts are maintained at CBK.

The appropriations from the National Treasury are regarded as transfers rather than expenditures. At consolidation level, these transfers are netted off against the corresponding transfers reported as having been received by the respective votes and County Governments.

f) Cash and cash equivalents

Cash and cash equivalents comprise bank balances.



g) Presentation Currency

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

8.2 Tax Income and Non Tax Income Receipts

The following is an analysis by revenue type of the receipts collected in the National Exchequer Account:

Description of receiver	2017/2018	2016/2017
	Kshs	Kshs
8.2 (a) Tax Income		
Taxes on Income, Profits and Capital Gains	657,233,210,932.70	627,469,093,794.90
Taxes on Goods and Services	630,677,511,874.40	603,046,912,767.55
Taxes in International Trade and Transactions	23,781,563,964.00	22,946,708,946.15
Total Tax Income	1,311,692,286,771.10	1,253,462,715,508.60
8.2 (b) Non Tax Income		
Licences under Traffic Act	3,076,797,944.85	2,755,165,330.20
Rents on Land	735,264,254.30	919,345,537.20
Interest Received	1,576,033,623.85	2,479,518,452.15
Other Profits & Dividends	17,356,601,732.40	28,828,423,414.05
loan to Non-Financial Institutions	2,623,373,631.15	1,838,865,081.80
Miscellaneous Revenue	6,755,008,078.80	3,751,384,230.63
Surplus Funds from Regulatory Authorities	6,766,307,348.50	-
E.A Community Tourist Visa Fees	95,567,265.50	80,734,701.10
Other land Revenue	1,087,867,752.80	920,172,683.85
Immigration Visas and Other Consular Fees	11,869,676,521.10	6,561,821,942.40
Work Permit Fees		2,705,565,404.10
Registration Services	516,082,471.25	519,161,564.05
Fishing Rights	150,744,645.20	170,712,822.75
Receipts from Royalties	1,013,100,488.25	80,415,400.00
Sale of Tender Documents	576,415.00	2,002,050.00
Fines, Penalties and Forfeitures	2,371,571,436.60	1,518,212,097.35
Others		917,249,355.33
Unspent balances surrendered	2,216,217,212.70	6,800,557,827.53
Total Non-Tax Income	58,210,790,822.25	60,849,307,894.49
Total Ordinary Revenue	1,369,903,077,593.35	1,314,312,023,403.09



8.3 Grants received through National Exchequer Account

The budget support received from development partners channelled through the National Exchequer Account is summarized below:

Description	2017/2018 Kshs	2016/2017 Kshs
Grants from other governments		
Government of Italy	12,000,000.00	28,000,000.00
Government of Denmark	191,871,938.80	-
Government of Sweden	263,724,771.10	-
Total	467,596,709.90	28,000,000.00
Grants from International Organizations		
African Union Mission in Somalia (AMISOM)	4,727,513,915.65	7,335,658,437.05
Danish International Development Agency (DANIDA)	1,610,335,149.00	762,678,020.20
International Development Association (IDA)	3,457,104,457.05	3,245,350,361.85
The Global Fund	2,741,376,386.85	1,639,199,558.15
The United Nations Children's Fund (UNICEF)	51,640,150.00	13,721,280.00
Swedish International Development Cooperation Agency (SIDA)		897,492,984.60
Japan International Corporation (JICA)		11,880,000.00
Common Market for Eastern and Southern Africa (COMESA)		-
International Fund for Agricultural Development (IFAD)	477,130,413.60	129,969,553.05
African Development Bank (ADB)	13,825,845.45	-
United Nations Development Programme (UNDP)	18,716,154.60	19,999,000.00
United Nations Environmental Programme (UNEP)	14,334,987.50	9,500,000.00
World Food Programme (WFP)		110,000,000.00
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)		3,985,200.00
United Nations Populations Fund (UNFPA)		164,375,694.50
European Economic Community Funds	340,000,000.00	-
FINLAND - Water Sector Trust Fund	222,333,625.95	-
Kenya Devolution Support Project	2,511,576,483.30	-
Total	16,185,887,568.95	14,343,810,089.40
Grant total	16,653,484,278.85	14,371,810,089.40



8.4 Net domestic borrowings Proceeds

The proceeds from sale of Treasury Bills and Treasury Bonds during the year were as summarised below:

	2017/2018 Kshs	2016/2017 Kshs
Treasury Bonds	317,873,660,000.00	328,990,100,000.00
Treasury Bills (net)	103,100,000,000.00	86,000,000,000.00
Net proceeds	420,973,660,000.00	414,990,100,000.00

8.5 Proceeds from external borrowings

The loans received through the National Exchequer Account is summarised below by the development partners.

Description	2017/2018 Kshs	2016/2017 Kshs
Commercial Financing		
African Export–Import Bank (AFREXIM BANK)		10,114,000,000.00
Syndicated Loan		110,969,311,208.40
Eastern and Southern Africa Trade and Development Bank	96,103,150,000.00	65,219,282,900.00
Sovereign Bond 2018 Proceeds	201,980,895,825.30	
Total Commercial Financing	298,084,045,825.30	186,302,594,108.40
Borrowings from International Organisations		
International Development Association (IDA)	28,931,442,184.75	34,834,808,495.15
International Fund for Agricultural Development (IFAD)	1,633,160,800.00	709,881,492.55
Agence Francaise de Developement (AFD)	116,645,377.55	-
The United Nations Children's Fund (UNICEF)		-
Japan International Corporation (JICA)	456,447,688.55	1,394,400,000.00
Danish International Development Agency (DANIDA)		36,978,144.00
African Development Bank (ADB)	137,870,685.75	179,112,321.00
The Global Fund		912,842,393.00
KFW Bank - Government of Germany	309,786,410.95	63,355,986.00
NARIGP	1,062,806,963.40	-
	25,631,760.00	-
Total Borrowings from International Organisations	32,673,791,870.95	38,131,378,831.70
Total proceeds from External Borrowings	330,757,837,696.25	224,433,972,940.10



8.6 Total Exchequer Receipts

The summary details of exchequer Receipts are shown below:

	2017/2018 Kshs	2016/2017 Kshs
Tax income	1,311,692,286,771.10	1,253,462,715,508.60
Non tax income	58,210,790,822.25	60,849,307,894.49
Grants	16,653,484,278.85	14,371,810,089.40
Net domestic borrowing	420,973,660,000.00	414,990,100,000.00
External borrowing	330,757,837,696.25	224,433,972,840.10
Net Exchequer Receipts	2,138,288,059,568.45	1,968,107,906,432.59

8.7 Total Exchequer Transfers

The summary details of exchequer transfers are shown below:

	2017/2018 Kshs	2016/2017 Kshs
National Government Recurrent	890,692,346,615.00	819,940,446,000.00
National Government Development	276,350,152,443.65	394,229,440,636.50
National Government CFS	583,207,916,206.65	498,110,300,908.00
County Governments	316,176,892,959.90	284,708,455,000.00
Net Exchequer transfers	2,066,427,308,225.20	1,996,988,642,544.50

See Annex 1 for detailed analysis of transfers



8.8 Bank Balances

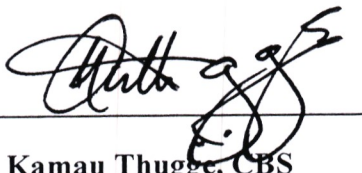
Exchequer Bank Reconciliation as at 29 June 2018		<u>Kshs</u>	<u>Kshs</u>
Exchequer CBK Statement as at 30th June 2018			5,476,227,851.05
Add:	Exchequer Revenue (Revenue in transit)		
	Tax revenue	4,127,267,216.60	
	Tax revenue	7,441,565,265.75	
	Tax revenue	2,059,525,766.10	
	Grants DANIDA	99,298,322.00	
	Commercial Loan	20,156,000,000.00	
	Recoveries From state Department for Water	76,033,359.35	
	Transfer From Sovereign Bond Account	960,978,532.25	
	Treasury Bills	20,000,000,000.00	
	Dividends From KCB	1,074,757,894.00	
	Total		55,995,426,356.05
Less:	Payments in cashbook not yet recorded in Bank statement(uncleared items)		
	Public Debt PD:88/17/18	1,864,655,460.00	
	Public Debt PD:89/17/18	223,039,645.00	
	Counties C/REQ/64/17/18	4,382,624,000.00	
	Counties C/REQ/65/17/18	49,457,154.00	
	Counties C/REQ/66/17/18	13,533,224,000.00	
	Counties C/REQ/67/17/18	24,159,999,885.00	
	Counties C/REQ/68/17/18	1,950,000,000.00	
	Counties C/REQ/69/17/18	99,298,322.00	
	Recurrent Re:196/Fy17-18/Vol 1	1,936,000,000.00	
	Recurrent Re:197/Fy17-18/Vol 1	5,279,600,000.00	
	Development Re:153/Fy17-18/Vol 1	7,901,078,533.00	
	Total		(61,378,976,999.00)
Exchequer Cash Book Balance as at 30th June 2018			92,677,208.10
Sovereign Bond 2018 account Balance as at 30th June 2018			102,696,096,144.05
Total Balance as at 30th June 2018			102,788,773,352.15



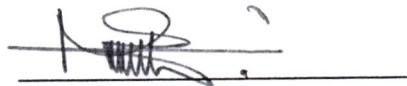
8.9 Progress on Follow up of Auditor’s Recommendations

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.

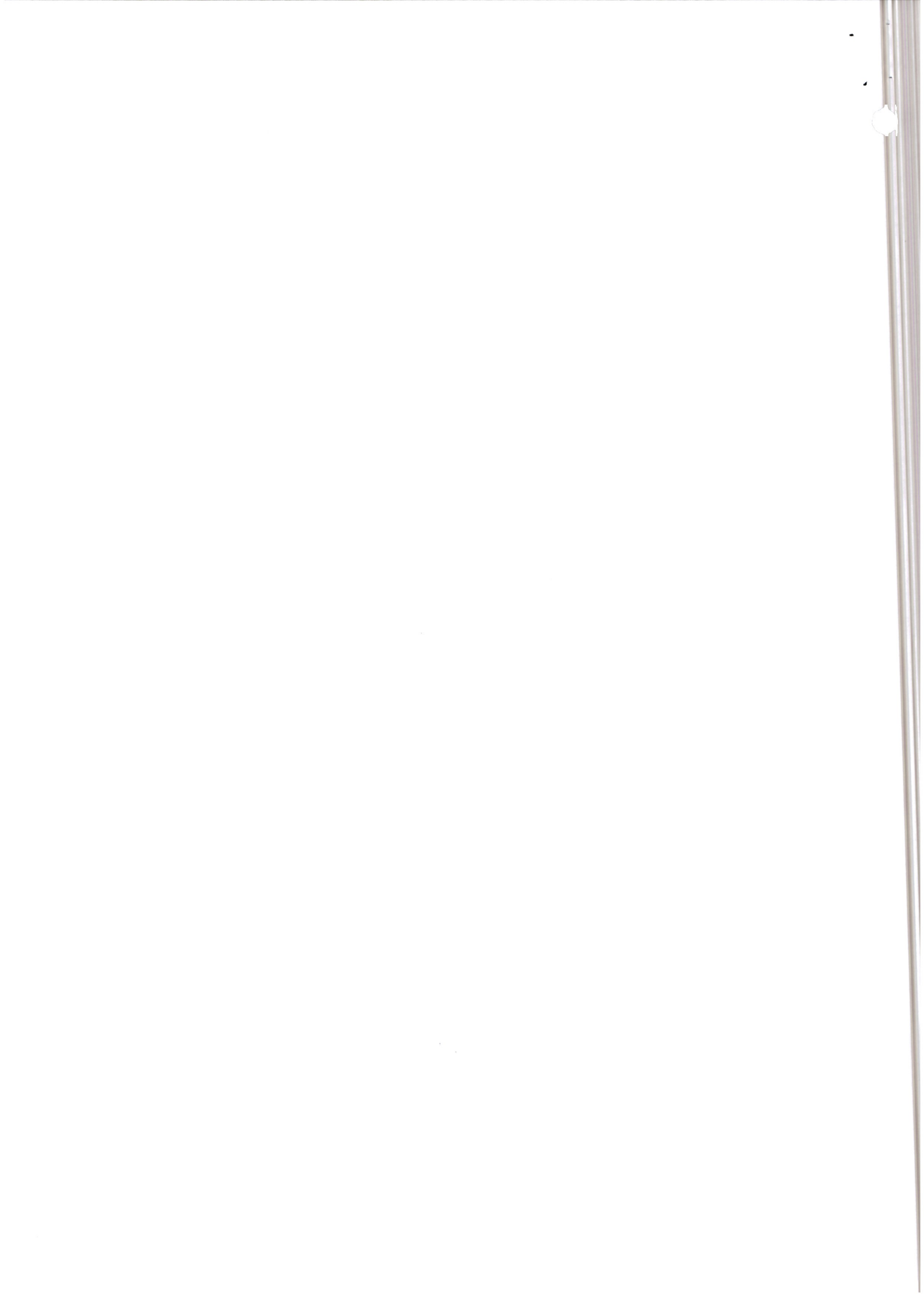
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Unqualified opinion					



Dr. Kamau Thugge, CBS
Principal Secretary
The National Treasury



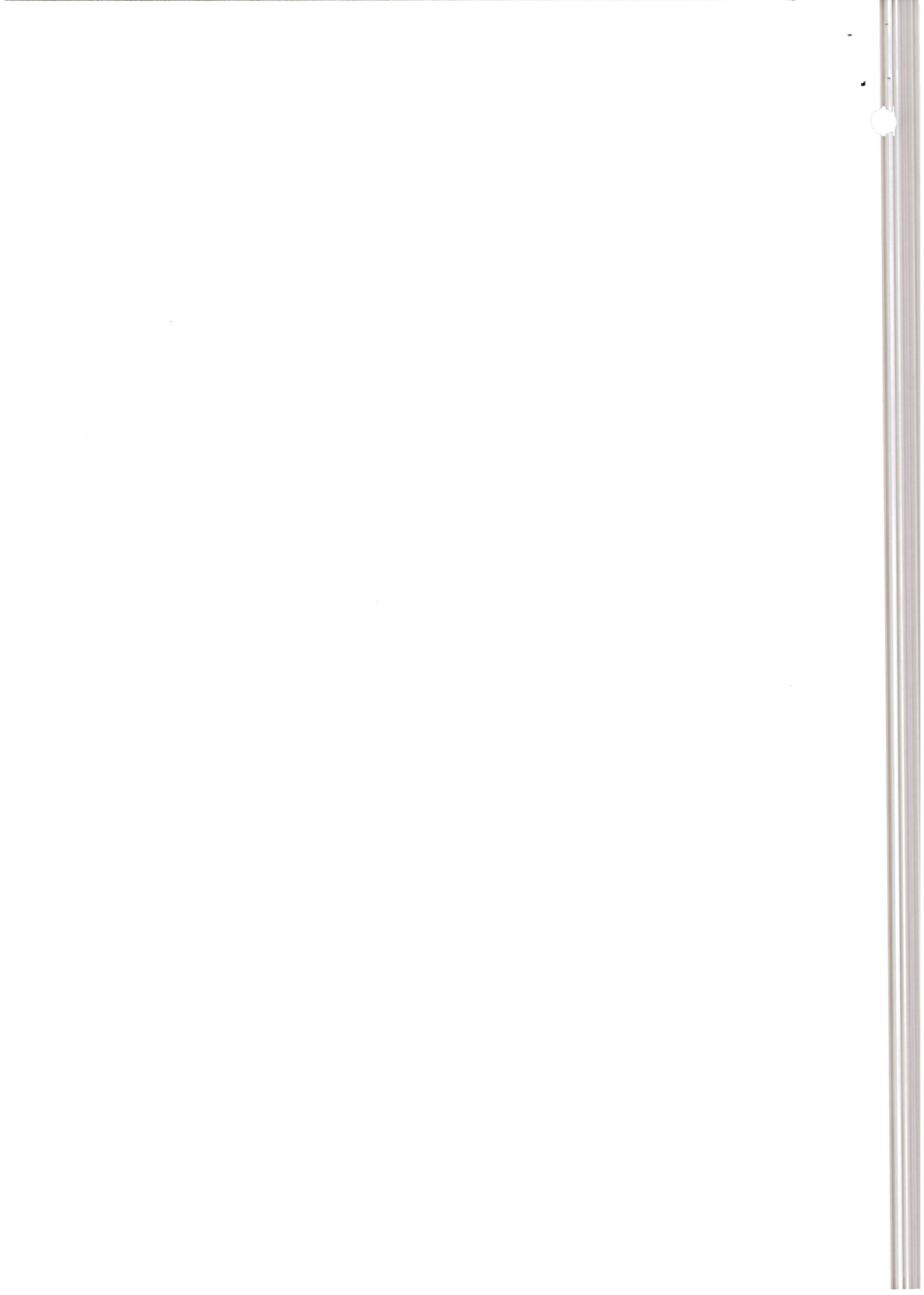
CPA Bernard Ndungu, MBS
Director General Accounting
Services & Quality Assurance
The National Treasury



9. Annex 1: Detailed Analysis of Transfers

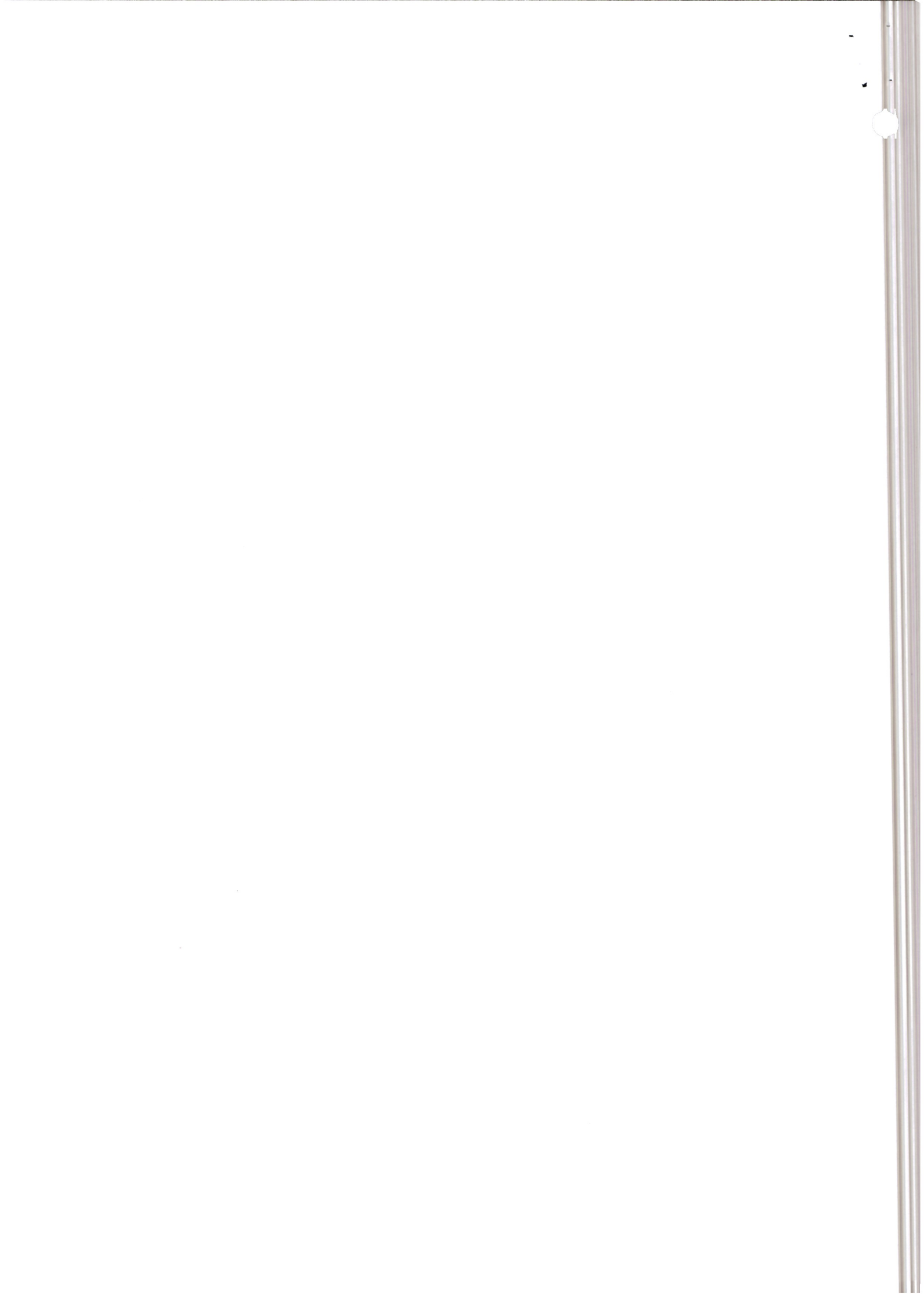
1.1 National Government Recurrent Budget FY 2017/2018

Ministries Departments and Agencies	Original Estimates Recurrent	Revised Estimates Recurrent	Actual Transfer Recurrent as at 30 th June 2018	% Realized 2017/18
	Kshs	Kshs	Kshs	Kshs
The Presidency	8,693,274,938.00	8,894,826,220.00	8,824,046,205.00	99.20%
State Department for Interior	106,445,556,000.00	115,884,348,730.00	106,371,890,287.00	91.79%
State Department for Correctional Services	21,535,369,313.00	22,797,569,313.00	22,797,253,532.00	100.00%
State Department for Devolution	1,107,800,000.00	1,268,886,630.00	810,468,902.00	63.87%
State Department for Special Programmes	2,153,110,000.00	5,534,745,872.00	4,884,557,516.00	88.25%
State Department for Planning and Statistics	5,388,450,000.00	5,503,466,683.00	4,130,336,310.00	75.05%
Ministry of Defence	103,574,400,000.00	106,835,384,819.00	94,114,815,498.00	88.09%
Ministry of Foreign Affairs	17,339,789,099.00	15,867,586,598.00	12,445,156,146.00	78.43%
State Department for Basic Education	58,516,400,000.00	82,341,799,585.00	82,341,349,762.00	100.00%
State Department for Vocational and Technical Training	2,640,500,000.00	2,558,156,993.00	2,555,866,447.00	99.91%
State Department for University Education	47,115,417,529.00	57,895,204,284.00	56,646,247,665.00	97.84%
The National Treasury	77,442,300,000.00	42,539,648,623.00	39,465,582,903.00	92.77%
Ministry of Health	26,743,943,775.00	30,381,299,770.00	28,666,361,858.00	94.36%
State Department of Infrastructure	1,884,000,000.00	1,721,032,071.00	1,636,282,728.00	95.08%
State Department of Transport	1,455,700,000.00	1,422,131,343.00	1,404,957,971.00	98.79%
State Department for Maritime Affairs	275,030,000.00	260,289,771.00	211,603,493.00	81.30%
State Department for Housing & Urban Development	1,725,700,000.00	1,811,328,601.00	1,597,609,310.00	88.20%
State Department for Public Works	842,050,000.00	811,275,117.00	744,227,115.00	91.74%
State Department for Water Services	1,876,401,761.00	2,696,408,214.00	2,627,333,378.00	97.44%
State Department for Irrigation	555,300,000.00	546,323,953.00	537,665,480.00	98.42%
State Department for Environment	2,729,400,000.00	3,148,841,011.00	3,148,646,781.00	99.99%
State Department for Natural Resources	7,272,979,000.00	6,882,716,315.00	6,801,719,803.00	98.82%
Ministry of Lands and Physical Planning	2,454,585,250.00	2,319,953,851.00	2,305,627,842.00	99.38%
State Department for Information Communications and Technology & Innovation	1,276,290,000.00	1,118,566,059.00	894,894,848.00	80.00%
State Department for Broadcasting & Telecommunications	1,915,700,000.00	2,154,270,837.00	2,066,458,857.00	95.92%
State Department for Sports Development	2,468,075,024.00	2,544,233,817.00	2,522,778,683.00	99.16%
State Department for Arts and Culture	2,927,824,896.00	3,020,075,296.00	2,989,531,985.00	98.99%
State Department for Energy	1,845,400,000.00	1,925,100,000.00	1,715,561,546.00	89.12%
State Department for Petroleum	194,645,306.00	161,945,046.00	149,538,643.00	92.34%
State Department for Agriculture.	6,282,100,000.00	16,037,898,340.00	15,459,251,391.00	96.39%
State Department for Livestock.	5,030,300,000.00	7,008,238,271.00	6,964,061,591.00	99.37%



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

Ministries Departments and Agencies	Original Estimates Recurrent	Revised Estimates Recurrent	Actual Transfer Recurrent as at 30 th June 2018	% Realized 2017/18
	Kshs	Kshs	Kshs	Kshs
State Department for Fisheries and the Blue Economy	2,056,300,000.00	1,922,194,109.00	1,908,468,953.00	99.29%
State Department for Investment and Industry	2,318,900,000.00	2,248,893,776.00	2,244,596,259.00	99.81%
State Department for Cooperatives	439,500,000.00	782,998,429.00	782,927,880.00	99.99%
State Department for Trade	2,394,540,000.00	2,194,050,293.00	1,993,292,288.00	90.85%
State Department for East African Integration	1,551,000,000.00	1,648,754,559.00	1,514,070,071.00	91.83%
State Department for Labour	2,016,800,000.00	1,818,343,512.00	1,677,987,447.00	92.28%
State Department for Social Protection	9,404,835,000.00	15,130,811,086.00	13,390,767,794.00	88.50%
Ministry of Mining	1,450,464,217.00	1,538,309,626.00	1,514,656,450.00	98.46%
Ministry of Tourism	1,877,900,000.00	1,763,758,614.00	1,550,941,924.00	87.93%
State Department for Public Service and Youth Affairs	13,340,800,000.00	14,341,067,402.00	12,747,940,420.00	88.89%
State Department for Gender	1,612,700,000.00	1,329,985,841.00	747,892,817.00	56.23%
State Law Office and Department of Justice	4,293,510,000.00	4,141,134,769.00	3,440,331,860.00	83.08%
The Judiciary	13,432,535,272.00	12,711,768,912.00	12,289,864,873.00	96.68%
Ethics and Anti-Corruption Commission	2,768,540,000.00	3,068,540,000.00	3,053,249,024.00	99.50%
National Intelligence Service	26,604,000,000.00	31,954,000,000.00	31,953,446,800.00	100.00%
Office of the Director of Public Prosecutions	2,250,080,000.00	1,994,442,462.00	1,875,851,255.00	94.05%
Office of the Registrar of Political Parties	877,750,000.00	808,527,310.00	778,003,736.00	96.22%
Witness Protection Agency	432,392,990.00	442,380,483.00	429,161,000.00	97.01%
Kenya National Commission on Human Rights	450,410,000.00	398,766,300.00	398,766,234.00	100.00%
National Land Commission	1,452,000,000.00	1,134,167,550.00	1,064,156,171.00	93.83%
Independent Electoral and Boundaries Commission	20,855,477,459.00	32,655,477,459.00	27,881,536,142.00	85.38%
Parliamentary Service Commission	11,726,950,001.00	10,243,068,157.00	7,986,167,473.00	77.97%
National Assembly	21,166,033,200.00	19,591,048,577.00	15,896,303,470.00	81.14%
Judicial Service Commission	490,160,000.00	283,537,700.00	196,978,268.00	69.47%
The Commission on Revenue Allocation	365,000,000.00	391,711,063.00	355,044,310.00	90.64%
Public Service Commission	1,358,500,000.00	1,358,500,000.00	1,344,822,285.00	98.99%
Salaries and Remuneration Commission	546,000,000.00	628,433,000.00	533,329,480.00	84.87%
Teachers Service Commission	201,362,000,000.00	217,718,457,400.00	216,619,736,198.00	99.50%
National Police Service Commission	485,990,000.00	547,588,237.00	445,334,826.00	81.33%
Auditor General	5,126,000,000.00	4,988,266,242.00	4,478,446,059.00	89.78%
Controller of Budget	575,000,000.00	521,079,350.00	463,466,087.00	88.94%
The Commission on Administrative Justice	476,500,000.00	412,789,402.00	389,297,468.00	94.31%
National Gender and Equality Commission	445,870,000.00	345,524,207.00	325,512,017.00	94.21%
Independent Policing Oversight Authority	600,000,000.00	695,860,000.00	588,314,800.00	84.54%
Total National Government Recurrent	878,312,230,030.00	945,647,787,860.00	890,692,346,615.00	94.19%



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

1.2 National Government Development Budget

Ministries Departments and Agencies	Original Estimates Development	Revised Estimates Development	Actual Development Transfers as at 30 th June 2018	% Realized 2016/2017
	Kshs	Kshs	kshs	
The Presidency	1,110,000,000.00	1,075,932,530.00	726,864,144.00	67.56%
State Department for Interior	17,180,800,000.00	14,895,090,221.00	14,647,792,739.00	98.34%
State Department for Correctional Services	900,000,000.00	553,323,930.00	404,155,200.00	73.04%
State Department for Devolution	2,539,300,000.00	2,974,999,990.43	337,916,600.00	11.36%
State Department for Special Programmes	2,950,100,000.00	2,776,525,000.00	2,666,158,200.00	96.03%
State Department for Planning and Statistics	36,861,756,000.00	33,345,614,656.00	33,279,866,949.00	99.80%
Ministry of Foreign Affairs	2,000,000,000.00	455,697,738.00	372,400,000.00	81.72%
State Department for Basic Education	6,292,000,000.00	7,705,928,996.00	7,520,847,760.00	97.60%
State Department for Vocational and Technical Training	4,346,000,000.00	1,824,910,908.00	1,121,536,000.00	61.46%
State Department for University Education	9,692,750,000.00	2,023,509,688.00	1,612,056,547.00	79.67%
The National Treasury	26,546,819,817.00	11,862,968,883.00	9,489,920,771.00	80.00%
Ministry of Health	19,616,441,419.00	22,834,996,499.00	15,687,561,371.00	68.70%
State Department of Infrastructure	81,859,000,000.00	53,347,859,674.00	51,237,673,853.00	96.04%
State Department of Transport	15,575,000,000.00	17,382,800,000.00	12,450,839,326.00	71.63%
State Department for Housing & Urban Development	9,247,000,000.00	10,948,664,394.00	8,879,560,635.00	81.10%
State Department for Public Works	2,176,090,000.00	714,490,253.00	472,231,100.00	66.09%
State Department for Water Services	8,895,600,000.00	15,469,167,411.00	13,992,491,516.65	90.45%
State Department for Irrigation	9,022,300,000.00	7,136,182,477.00	6,158,882,477.00	86.31%
State Department for Environment	3,371,642,000.00	1,502,723,875.00	1,061,153,385.00	70.62%
State Department for Natural Resources	2,813,000,000.00	1,634,011,312.00	1,323,550,000.00	81.00%
Ministry of Lands and Physical Planning	3,770,000,000.00	2,797,595,734.00	2,397,402,050.00	85.70%
State Department for Information Communications and Technology & Innovation	16,201,000,000.00	7,517,519,068.00	7,192,341,183.00	95.67%
State Department for Broadcasting & Telecommunications	764,000,000.00	380,483,438.00	280,100,000.00	73.62%
State Department for Sports Development	560,000,001.00	2,246,899,981.00	2,246,010,000.00	99.96%
State Department for Arts and Culture	1,005,000,000.00	549,935,827.00	548,100,000.00	99.67%
State Department for Energy	31,301,004,658.00	39,918,008,795.00	38,557,997,865.00	96.59%
State Department for Petroleum	2,925,500,000.00	1,192,698,000.00	807,029,375.00	67.66%
State Department for Agriculture.	8,901,401,537.00	9,207,570,098.00	7,268,691,783.00	78.94%
State Department for Livestock.	4,681,665,000.00	4,176,567,845.00	3,223,191,723.00	77.17%
State Department for Fisheries and the Blue Economy	914,000,000.00	313,976,804.00	261,443,952.00	83.27%
State Department for Investment and Industry	5,327,062,000.00	3,981,088,489.00	3,890,536,150.00	97.73%
State Department for Cooperatives	490,000,000.00	555,000,000.00	462,449,000.00	83.32%



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

Ministries Departments and Agencies	Original Estimates Development Kshs	Revised Estimates Development Kshs	Actual Development Transfers as at 30 th June 2018 kshs	% Realized 2016/2017
State Department for Trade	327,500,000.00	47,566,957.00	39,863,100.00	83.80%
State Department for Labour	1,044,100,000.00	392,926,951.00	339,040,075.00	86.29%
State Department for Social Protection	14,959,750,000.00	13,017,955,283.00	9,362,648,630.00	71.92%
Ministry of Mining	1,234,000,000.00	185,746,795.00	185,746,795.00	100.00%
Ministry of Tourism	3,921,000,000.00	980,250,000.00	554,657,960.00	56.58%
State Department for Public Service and Youth Affairs	12,990,000,000.00	11,854,092,379.00	8,261,264,831.00	69.69%
State Department for Gender	3,430,000,000.00	3,187,750,000.00	3,187,750,000.00	100.00%
State Law Office and Department of Justice	1,137,000,000.00	73,174,625.00	-	-
The Judiciary	4,128,900,000.00	1,567,750,089.00	1,429,124,078.00	91.16%
Ethics and Anti-Corruption Commission	1,268,000,000.00	1,268,000,000.00	1,268,000,000.00	100.00%
Office of the Director of Public Prosecutions	82,550,000.00	4,560,500.00	-	-
National Land Commission	300,000,000.00	173,000,000.00	16,539,800.00	9.56%
Independent Electoral and Boundaries Commission	45,000,000.00	-	-	-
Parliamentary Service Commission	3,150,000,000.00	2,187,500,000.00	879,483,000.00	40.20%
Public Service Commission	60,000,000.00	8,986,779.00	5,000,000.00	55.64%
Teachers Service Commission	118,000,000.00	143,000,000.00	142,282,520.00	99.50%
National Police Service Commission	65,000,000.00	-	-	-
Auditor General	235,000,000.00	102,837,884.00	100,000,000.00	97.24%
Independent Policing Oversight Authority	150,000,000.00	-	-	-
Sub-total National Government Development	388,482,032,432.00	318,497,840,756.43	276,350,152,443.65	86.77%



1.3 National Government Consolidated Fund Services (CFS) Budget

Consolidated Fund Services	Original Estimates	Revised Estimates	Total Actual Transfers as at 30 th June 2018	% Realized FY 2017/2018
	Kshs	Kshs	kshs	
Public Debt	621,764,127,455.00	649,396,727,245.00	516,965,404,435.65	79.61%
Pension & Gratuities	71,895,127,200.00	71,895,127,200.00	62,413,333,600.00	86.81%
Salaries , Allowances and Miscellaneous Services	5,564,893,962.00	5,564,893,962.00	3,829,178,171.00	68.81%
Subscription to international organisations	500,000.00	500,000.00	-	0.00%
Total CFS	699,224,648,617.00	726,857,248,407.00	583,207,916,206.65	109.46%



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

1.4 Transfers to County Governments

County Governments	Original Estimates	Revised Estimates	Total Actual Transfers as at 30 th June 2018	% Realized FY 2017/18
	Kshs	Kshs	kshs	
Mombasa County	8,692,144,461.29	8,692,144,461.29	8,668,589,380.00	99.73%
Kwale County	7,517,875,325.98	7,517,875,325.98	7,451,083,693.90	99.11%
Kilifi County	10,308,443,506.15	10,308,443,506.15	10,215,596,471.90	99.10%
Tana River County	5,538,128,722.19	5,538,128,722.19	5,466,912,922.00	98.71%
Lamu County	2,591,727,654.27	2,591,727,654.27	2,563,157,546.00	98.90%
Taita/Taveta County	4,047,298,220.53	4,047,298,220.53	4,015,265,973.50	99.21%
Garissa County	7,253,381,127.38	7,253,381,127.38	7,161,701,406.50	98.74%
Wajir County	8,417,340,180.69	8,417,340,180.69	8,295,968,003.00	98.56%
Mandera County	10,043,110,967.45	10,043,110,967.45	9,928,134,372.00	98.86%
Marsabit County	6,833,662,096.38	6,833,662,096.38	6,731,884,127.00	98.51%
Isiolo County	3,918,924,756.59	3,918,924,756.59	3,868,559,032.50	98.71%
Meru County	8,321,745,087.38	8,321,745,087.38	8,293,054,754.90	99.66%
Tharaka - Nithi County	3,808,661,217.39	3,808,661,217.39	3,786,761,756.50	99.43%
Embu County	4,591,598,842.59	4,591,598,842.59	4,570,234,889.40	99.53%
Kitui County	9,017,758,260.59	9,017,758,260.59	8,915,260,232.90	98.86%
Machakos County	8,036,191,335.92	8,036,191,335.92	7,970,920,465.50	99.19%
Makueni County	7,296,021,404.66	7,296,021,404.66	7,237,831,275.40	99.20%
Nyandarua County	5,198,703,972.97	5,198,703,972.97	5,176,897,131.50	99.58%
Nyeri County	5,502,485,151.73	5,502,485,151.73	5,480,808,294.00	99.61%
Kirinyaga County	4,663,424,289.78	4,663,424,289.78	4,642,205,399.40	99.54%
Murang'a County	6,436,183,100.16	6,436,183,100.16	6,415,098,183.40	99.67%
Kiambu County	10,564,700,528.85	10,564,700,528.85	10,543,861,154.40	99.80%
Turkana County	10,428,892,761.11	10,428,892,761.11	10,319,746,506.40	98.95%
West Pokot County	4,960,421,652.52	4,960,421,652.52	4,877,312,629.50	98.32%
Samburu County	4,032,946,981.28	4,032,946,981.28	3,966,813,742.90	98.36%
Trans Nzoia County	5,927,294,271.79	5,927,294,271.79	5,840,935,634.90	98.54%
Uasin Gishu County	5,902,453,022.79	5,902,453,022.79	5,838,592,333.00	98.92%
Elgeyo/Marakwet County	3,760,719,282.70	3,760,719,282.70	3,730,523,504.00	99.20%
Nandi County	5,352,241,822.80	5,352,241,822.80	5,285,991,126.90	98.76%
Baringo County	5,337,469,347.53	5,337,469,347.53	5,283,315,806.00	98.99%
Laikipia County	4,770,202,126.16	4,770,202,126.16	4,724,038,354.50	99.03%
Nakuru County	9,937,723,324.50	9,937,723,324.50	9,860,353,683.40	99.22%
Narok County	6,887,979,310.04	6,887,979,310.04	6,804,724,431.40	98.79%
Kajiado County	5,967,306,149.47	5,967,306,149.47	5,898,109,716.00	98.84%
Kericho County	5,392,635,395.54	5,392,635,395.54	5,350,481,046.00	99.22%
Bomet County	5,457,697,229.74	5,457,697,229.74	5,397,032,597.00	98.89%
Kakamega County	10,669,216,346.87	10,669,216,346.87	10,559,630,275.50	98.97%
Vihiga County	4,646,551,647.33	4,646,551,647.33	4,596,489,001.90	98.92%



The National Treasury
National Exchequer Account
Financial Statements
For the Financial Year ended 30th June 2018

County Governments	Original Estimates	Revised Estimates	Total Actual Transfers as at 30 th June 2018	% Realized FY 2017/18
	Kshs	Kshs	kshs	
Bungoma County	9,149,520,031.39	9,149,520,031.39	9,040,352,689.40	98.81%
Busia County	6,609,042,024.48	6,609,042,024.48	6,549,673,565.00	99.10%
Siaya County	5,802,071,020.13	5,802,071,020.13	5,755,548,671.50	99.20%
Kisumu County	7,100,690,646.30	7,100,690,646.30	7,054,655,055.00	99.35%
Homa Bay County	6,794,518,597.54	6,794,518,597.54	6,736,342,696.90	99.14%
Migori County	6,747,809,437.83	6,747,809,437.83	6,676,541,827.40	98.94%
Kisii County	8,222,384,240.32	8,222,384,240.32	8,172,413,497.40	99.39%
Nyamira County	4,860,452,955.94	4,860,452,955.94	4,831,811,448.40	99.41%
Nairobi City County	15,662,868,802.58	15,662,868,802.58	15,625,676,654.00	99.76%
Total County Governments	318,980,618,639.57	318,980,618,639.57	316,176,892,959.90	99.12%

...

