

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



OF

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 27 FEB 2024

DAY: TUESDAY

TABLED BY:

Hon Naomi Wago, MP
Deputy Majority Whip

THE AUDITOR-GENERAL

CLERK-AT-THE-TABLE:

Inzofu mwale

ON

MINISTRY OF DEFENCE

**FOR THE YEAR ENDED
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
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MINISTRY OF DEFENCE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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Acronyms and Glossary of Terms

Provide a list of acronyms and glossary of terms used in your report.

e.g.:

| | |
|-------|--|
| AIE | Authority to Incur Expenditure |
| CFO | Chief Finance Officer |
| HAU | Head of Accounting Unit |
| IPSAS | International Public Sector Accounting Standards |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| PFM | Public Finance Management |
| SAGA | Semi-Autonomous Government Agencies |
| KDF | Kenya Defence Forces |

1. Key Ministry Information and Management

(a) Background information

The Ministry continued to execute its mandate as provided for in Article 241 of the Constitution and Executive Order No. 2 of May 2013. To this end the ministry was able to perform its core mandate and address emerging security challenges. The emerging security threats included terrorism, cattle rustling, human and drug trafficking, proliferation of small arms and piracy.

The Ministry is headed by the Cabinet Secretary, Hon. Aden Bare Duale who is responsible for the Policy and the General Administration of the Ministry.

The Ministry is categorized as vote 1041 within the approved National Budget which is administered by Mr. Patrick Mariru as the Accounting Officer.

The accompanying financial statements constitute the financial statements for the Ministry of Defence.

1.1 VISION

A premier, credible and mission capable Force deeply rooted in professionalism.

1.2 MISSION

To defend and protect the sovereignty and territorial integrity of the Republic, assist and cooperate with other civil authorities in situations of emergency or disaster and restore peace in any part of Kenya affected by unrest or instability as assigned.

1.3 CORE VALUES

To achieve its mission and vision, the Ministry has a number of core values and beliefs namely:-

a. Apolitical: The Defence Forces will steer clear of politics and will remain steadfastly apolitical.

b. The Civil prerogative: The Defence Forces shall always subordinate itself to democratic Civil Authority and exemplify civility in its dealings with the people of Kenya.

c. Loyalty and Commitment: The Defence Forces will uphold its loyalty and commitment to the Commander-In-Chief and the people of Kenya through the chain of command.

d. Patriotism: The staff of the Ministry of Defence shall always be patriotic to the Government and the people of Kenya.

e. Professionalism: Service delivery will be based on the highest professional standards and will be blind to gender, ethnic, race or any other consideration.

f. Integrity: The staff of the Ministry of Defence will carry out duties with the highest integrity and in accordance with the laid down rules and regulation

1.4 CORE FUNCTIONS

The core functions of the Ministry of Defence as stipulated in the Executive Order No. 2/2013 are:

- a. National Defence.
- b. Development and Management of the National Defence Policy.
- c. Protection of National Borders.
- d. Support for Civil Authority.
- e. Defence Intelligence.

1.5 USERS OF THE FINANCIAL STATEMENTS

- a. Office of the Auditor General
- b. The Parliament
- c. The National Treasury
- d. Controller of budget
- e. Commissioner of Revenue Allocation
- f. Tax Payer
- g. Ministry of Defence

(b) Key Management

The *Ministry's* day-to-day management is under the following key organs:

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

| No | Designation | Name |
|----|---|--|
| 1 | Cabinet Secretary | Hon. Aden Bare Duale,EGH |
| 2 | Principal Secretary and Accounting Officer | Mr. Patrick Mariru |
| 3 | Chief of the Defence Forces | Gen. Francis O. Ogolla, MGH,EBS, 'ndc'(K), 'PSC'(Fra) |
| 4 | Commander Kenya Army | Lt. Gen. Peter Mbogo Njiru CBS, 'rcds'(UK), 'PSC'(K) |
| 5 | Commander Kenya Air Force | Maj. Gen. John Mugaravai Omenda EBS SS OGW 'rcds' (UK) 'psc'(K) |
| 6 | Commander Kenya Navy | Maj. Gen. Jimson Long'iro Mutai M.B.S , 'NDC'(K) 'PSC' (K) |

Fiduciary Management

The key management personnel who held office during the financial year ended 30th Jun 2023 and who had direct fiduciary responsibility were:

| No. | Designation | Name | Period Served |
|-----|---|---|---|
| 1 | Cabinet Secretary | Hon. Eugene Ludovic Wamalwa, EGH | 1 st Jul 2022-27 th Oct 2022 |
| | | Hon. Aden Bare Duale, EGH | 27 th Oct 2022-30 th Jun2023 |
| 2 | Principal Secretary and Accounting Officer | Dr. Ibrahim M. Mohammed | 1 st Jul 2022-5 th Dec 2022 |
| | | Mr. Patrick Mariru | 5 th Dec 2022-30 th Jun2023 |
| 3 | Chief of the Defence Forces | Gen. Robert K. Kibochi, MGH, CBS, 'ndc'(K), 'PSC'(UK) | 1 st July 2022-28 th Apr 2023 |
| | | Gen. Francis O. Ogolla, MGH,EBS, 'ndc'(K), 'PSC'(Fra) | 28 th Apr-2023-30 th Jun 2023 |
| 4 | Commander Kenya Army | Lt. Gen. Peter Mbogo Njiru CBS, 'rcds'(UK), 'PSC'(K) | 1 st Jul 2022-30 th Jun 2023 |
| 5 | Commander Kenya Air Force | Maj. Gen. John Mugaravai Omenda EBS SS OGW 'rcds' (UK) 'psc'(K)- | 1 st Jul 2022-30 th Jun2023 |
| 6 | Commander Kenya Navy | Maj. Gen. Jimson Long'iro Mutai M.B.S , 'NDC'(K) 'PSC' (K) | 1 st Jul 2022-30 th Jun2023 |

(d) Fiduciary Oversight Arrangements

(i) Ministerial Committees

(a) Budget Implementation

The committee is mandated to undertake the following:

- i. To review and consider the cash-flow plans
- ii. To review the utilization of cash limits and consider any changes as may be required
- iii. To review the utilization of donor funds voted to the Ministry
- iv. To advise the accounting officer on any challenges related to to the budget implementation
- v. To review and recommend reallocation of expenditure
- vi. To review and approve the submission of the expenditure returns, IPPD, pending bills and Revenue for the Ministry and recommend actions to be taken.
- vii. To participate in Sector Working Groups.
- viii. To prepare budgets for line Ministries in consultation with Heads of Departments

The Committee is scheduled to meet monthly in order to review any budget related issues and periodically advise the Accounting Officer

(b) Ministerial Human Resource Management Advisory Committee (MHRMAC)

The functions of MHRMAC entail making recommendations to the authorized officer regarding:

- i. Recruitment,
- ii. Performance management,
- iii. Promotions,
- iv. Training and development,
- v. Deployment,
- vi. Recommendations for retirement under 50 year rule among others.

It is chaired by the Principal Secretary or his deputy. The Director HRM is the Secretary. The HoD's and Military representation from DHQ and the Three Services are members of the Committee.

(c) Ministerial Performance Management Committee(MPMC)

The functions of MPMC entail:

- i. Undertaking quarterly review of implementation of Strategic Plans and Performance Contracts,
- ii. Ensure linkage between institutional performance contract and individual performance contract,
- iii. Ensure that the performance of all officers are evaluated and feedback on performance is relayed at the end of the Financial Year,
- iv. Develop and implement the internal monitoring, evaluation and reporting system.

It is chaired by the Principal Secretary or his deputy. The Director HRM is the Secretary. The HoD's and Military representation from DHQ and the three Services are members of the committee.

(d) Procurement Advisory Board

The function of Procurement Advisory Board is to advise the Accounting Officer in decision making on matters of procurement and assets disposals.

(e) Ministerial Audit Committee

The Ministerial Audit Committee has been reorganized with guidance from the National Treasury and has clear corporate terms of reference which include the following:-

- i. Follow up on recommendations of the Parliamentary Accounts Committee (PAC).
- ii. Preparation of responses on the Annual Report of the Auditor General.
- iii. Arranging for entry and exit meetings with the External Auditors

(f) Parliamentary Committee Activities

- (a) Parliamentary Committee on Defence and Foreign Relations.

The Ministry engaged the committee to:

- i. Discuss the budget strategy paper
- ii. To review the performance of the National Security Sector.

- (b) Public Accounts Committee

- i. The Committee held discussions with the Ministry on the Report of the Auditor General on the Ministry's Appropriation Accounts for the Financial Year 2020/2021.

(e) Ministry Headquarters

P.O. Box 40668-00100
Ulinzi House, Lenana Road
NAIROBI, KENYA

Ministry Contacts

Telephone: (254) 020-2721100
E-mail: ps@mod.go.ke
Website: www.mod.go.ke

(f) Ministry Bankers

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

(g) Independent Auditors

Auditor - General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

(h) Principal Legal Adviser

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

2. Statement of Governance

The Ministry is headed by the Cabinet Secretary, Hon. Aden Bare Duale who is responsible for the Policy and the General Administration of the Ministry.

The Ministry is categorized as vote 1041 within the approved National Budget which is administered by Mr. Patrick Mariru as the Accounting Officer.

During the Financial Year under review, there was notable change in the Governance structure:

- i. Hon Aden Duale was appointed as the Cabinet Secretary replacing Hon Eugene Wamalwa.
- ii. Mr Patrick Mariru as appointed as Principal Secretary replacing Dr Ibrahim Mohammed.
- iii. Gen Francis Ogolla was appointed as Chief of Defence Forces replacing Gen(Dr) Robert Kibochi.

3. Statement by the Cabinet Secretary



FOREWORD BY THE CABINET SECRETARY

I am exceptionally gratified to present the Financial Statement for the 2022/23 Financial Year in accordance with the Public Finance Management Act, 2012.

The Ministry of Defence is established under Executive Order 1 of January 2023 on Organisation of Government of the Republic of Kenya. The Ministry is obliged to facilitate and support the Kenya Defence Forces (KDF) in the discharge of their mandate under Article 241 (3) (a), (b) & (c) of the Constitution, in order to ensure that KDF achieves its vision to be *“a premier, credible and mission capable force deeply rooted in professionalism.”*

The Financial Year 2022/23 was characterised by a myriad of challenges which called for a change of tact in approaching them to ensure that we accomplish the various programmes

we rolled out across the country.

Being an electioneering year, the financial period under review experienced some level of economic recession characterised by an increase in inflation and a hike in prices of basic commodities and supplies.

Political and security instability in the region hampered the steady supply of critical goods across the region and the globe, key among them the Sudan crisis and the Russia-Ukraine conflict.

It was during the same period that the Head of State, His Excellency Dr. William Ruto called for austerity measures for government Ministries, Agencies and Departments (MDAs) with an aim of cutting unnecessary budget to salvage the country from economic melt-down. This was necessitated by need to seal all avenues of financial wastage in the Public Service.

At the Ministry of Defence, I am glad to report that we maintained stellar performance by stamping our authority as a Ministry that observes prudent use of resources and all our budgetary allocations by undertaking projects in a manner that was timely and cost-effective. The Ministry has continued to pose excellent performance and obtained clean books of accounts for the last six Financial Years. We are hopeful that we shall stamp this authority by maintaining this performance and remain one of the most accountable Ministry in the country.

The Ministry was able to absorb the entire approved recurrent budget of **Kshs. 136,615,483,200** for the Financial Year under review. This being **100%** of the amount budgeted for in the year in focus. Further, the Ministry was able to utilize **Kshs. 3,365,350,874.00** of Development Funds as provided for in the budget.

The Ministry awarded procurement opportunities worth **Kshs 982,565,113** to the Youth, Women and enterprises owned by People with Disabilities (PWDs) in adherence to the Presidential

Directive on the 30% procurement rule on Access to Government Procurement Opportunities (AGPO). Under the 40% Policy on Promotion of Local Content in Procurement, the Ministry spent a total of **Kshs 6,470,334,340** in procuring locally manufactured goods and services to support local industries (Buy Kenya, Build Kenya).

The Ministry has continued to support the KDF in the fight against banditry, terrorism and violent extremism. KDF troops have adopted a multi-agency approach to ensure there is peace and security in every part of the country to enable the government roll out socio-economic development projects. Some of the current operations being undertaken by the military and other security agencies include Operation Amani Boni (OAB) in Boni Forest-Lamu county and Operation Maliza Uhalifu (OMU) in six counties in the North-Rift.

Under the rubric of Article 240 (8) (a), the Ministry continued to support peace support operations by facilitating the deployment of KDF troops in the Democratic Republic of Congo (DRC) under the East African Community Regional Force (EACRF) as well as the United Nations Stabilization Mission in Democratic Republic of Congo (MONUSCO). As an anchor State in the region, Kenya is also a leading Troops Contributing Country (TCC) in Somalia where it has an active presence under the African Union Transition Mission in Somalia (ATMIS) with a view of stabilizing Somalia against terrorism and violent extremism. These deployments are instrumental in fostering regional peace, security and stability.

In an effort to foster regional partnerships and cooperation, the Ministry has taken a leading role by supporting and participating in programmes and activities rolled out by the East African Community (EAC), Eastern Africa Standby Force (EASF), Inter-Governmental Authority on Development (IGAD), United Nations (UN) and African Union (AU). These activities included; joint exercises, workshops, training, sporting and cultural events, Policy Organs Meetings (POMs) among others.

The Ministry has continued to pursue the ambitious efforts of expansion and modernization of the military's capability to enhance their force posture and force projection. This has been realized through upgrading and maintenance of military equipment. The constrained budgetary allocation has also enabled the Ministry undertake projects aimed at improving the welfare of the personnel among them construction of a Regional Hospital in Lanet, Nakuru, accommodation and messing facilities at various military installations and concluding the ongoing projects across the country.

To endear the military to the local community, the Ministry has continued to support and carry out an array of Humanitarian Civil Activities (HCAs)/Projects among them drilling of boreholes and construction of water pans in various areas affected by water shortage as well as providing logistical support and distribution of relief food to counties faced by drought and famine. To further support civil authorities achieve the national development agenda, the Ministry launched a number of projects that contribute towards the national growth. Among the projects initiated include the construction of Moi Stadium-Embu and the renovation of Uhuru and Central Parks in Nairobi.

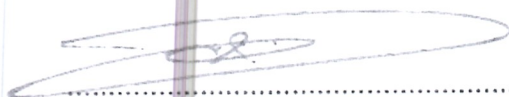
To have a long-term solution to climate change and conserve the environment, the Ministry has continued to support the Environmental Soldier Programme to plant trees in designated areas with a view of supporting the Government's project of planting over 15 billion trees by 2032.

In the 2023/24 Financial Year, we anticipate to recruit soldiers, an exercise that has not been possible for the last two years due to the Covid-19 pandemic and other financial constraints. Recruitment is critical for Force generation and enhancing the manpower for the successful execution of our mandate. The intended recruitment shall also involve the enrolment of the civilian component to offer support to the Ministry in our constitutional mandate.

We also anticipate to conclude various projects that have stalled among them the construction of the Uhuru Gardens National Monument and Museum (UGNM&M) as well as the Forces Referral and Research Hospital (FRRH) in Kabete that is set to serve all security personnel from various agencies and their dependants.

A special mention goes to our gallant soldiers deployed across the country and beyond for their selflessness and patriotism. Many have in the process paid the ultimate price while defending our motherland. This country owes them a debt of gratitude.

Finally, I wish to express my gratitude for every member of staff at the Ministry for their dedication to duty. Being a unique Ministry, they have always been ready to be counted whenever called upon due to their high sense of devotion and commitment. We look forward to another successful Financial Year 2023/34.



.....
HON. ADEN DUALE, EGH/ CABINET SECRETARY

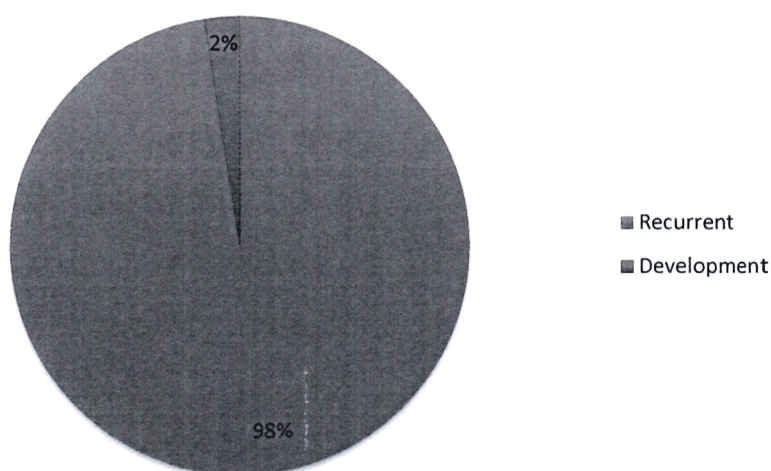
MINISTRY OF DEFENCE

4. Statement by the Principal Secretary / Accounting Officer

4.1. BUDGETARY ALLOCATION

The budget allocated to the Ministry for the FY 2022/23 to accomplish the set objectives was **KShs 138,980,834,074**. This constituted an allocation of **Kshs 135,615,483,200** for Recurrent Expenditure and **Kshs 3,365,350,874** as Capital Grant for Modernization Programme; apportioned as shown on the Chart below.

APPROVED BUDGET FY 22/23



The total budgetary allocation for FY 2022/23 was KShs. 138,980,834,074, but the actual expenditure was KShs. 129,177,300,642 with Recurrent Expenditure having an actual expenditure of KShs. 127,429,811,232 while GoK Funded Development Expenditure had an expenditure of KShs 1,747,489,410.

Below is an overview of the financial performance for the year ended 30th June 2023 as reported in the detailed financial statements.

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

For Budgeted Recurrent Expenditure;

| | Printed Estimates | Actual | Variance | % Utilization Variance |
|-----------------------|--------------------------|-----------------|-----------------|-------------------------------|
| Total Receipts | 135,615,483,200 | 127,429,811,232 | 8,185,671,968 | 94% |
| Total Payments | 135,615,483,200 | 127,429,811,232 | 8,185,671,968 | 94% |
| | | | | |

For Budgeted the Development Expenditure;

| | Printed Estimates | Actual | Variance | % Utilization Variance |
|-----------------------|--------------------------|---------------|-----------------|-------------------------------|
| Total Receipts | 3,365,350,874 | 1,747,410,512 | 1,617,940,362 | 52% |
| Total Payments | 3,365,350,874 | 1,747,410,512 | 1,617,940,362 | 52% |
| | | | | |

4.2. Budget Utilization

The Ministry spent **KShs. 138,980,834,074**; against an approved budget of **KShs. 129,174,753,647** representing absorption of 93%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the table below:

| | Approved Budget | Actual Expenditure | Utilization Difference | % Utilization |
|----------------------------|------------------------|------------------------|------------------------|---------------|
| Compensation of Employees | 1,567,000,000 | 1,565,271,069 | 1,728,931 | 100% |
| Use of goods and services | 447,850,000 | 399,673,725 | 48,176,275 | 89% |
| Military Payments | 135,738,384,074 | 126,089,749,547 | 9,648,634,527 | 93% |
| Other Grants and transfers | 1,179,750,000 | 1,079,750,000 | 100,000,000 | 90% |
| Acquisition of Assets | 47,850,000 | 40,309,306 | 7,540,694 | 84% |
| Grand Total | 138,980,834,074 | 129,174,753,647 | 9,806,080,427 | 93% |

4.3. CURRENT YEAR PERFORMANCE AGAINST PRIOR YEAR**4.3.1. Receipts and Payments**

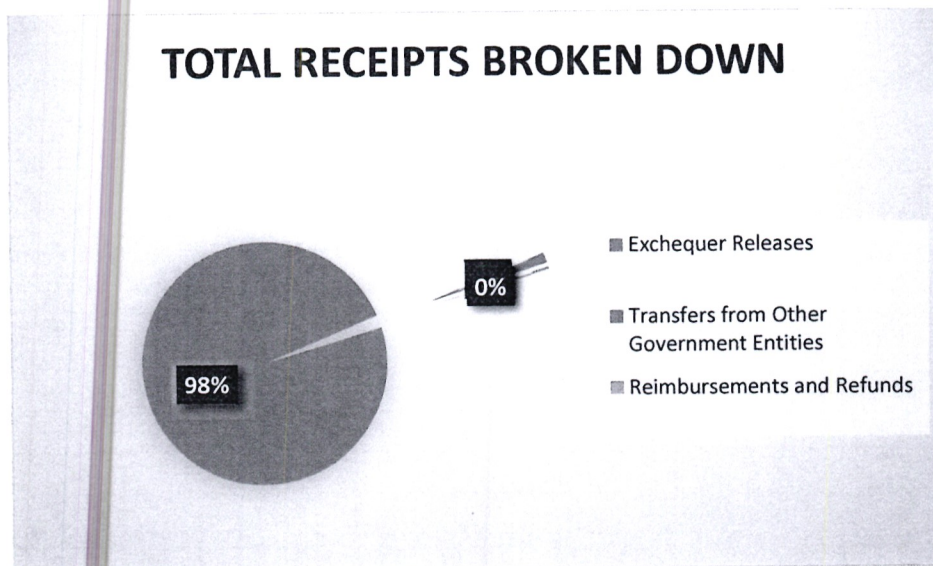
| | Year to Year Ending 30 th June 2023 | Year to Year Ending 30 th June 2022 | Change | % Change |
|----------------|---|---|----------------|----------|
| TOTAL RECEIPTS | 129,177,300,642 | 138,878,725,541 | -9,701,424,899 | 93% |
| TOTAL PAYMENTS | 129,174,753,647 | 138,856,590,182 | -9,681,836,535 | 93% |

There was a significant reduction in receipts and payments because of Exchequer Shortfall.

Total Receipts Broken Down

| Receipts Classification | Year to Year Ending June 2023 | Year to Year Ending June 2022 | Variance | % Change |
|--|-------------------------------|-------------------------------|-----------------------|------------|
| Exchequer Releases | 129,177,300,642 | 134,677,327,293 | -5,500,026,651 | -4% |
| Transfers from Other Government Entities | 1,768,459,500 | 3,728,258,248 | -1,959,798,748 | -53% |
| Reimbursements and Refunds | 418,109,799 | 473,140,000 | -55,030,201 | -12% |
| TOTAL REVENUES | 131,363,869,64 | 138,878,725,541 | -7,514,855,590 | -5% |

The diagram below depicts the share of major categories of receipts for the fiscal year ended 30th June 2023. The major source of funding for the Ministry of Defence is exchequer releases that account for 93% of the total receipts



MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

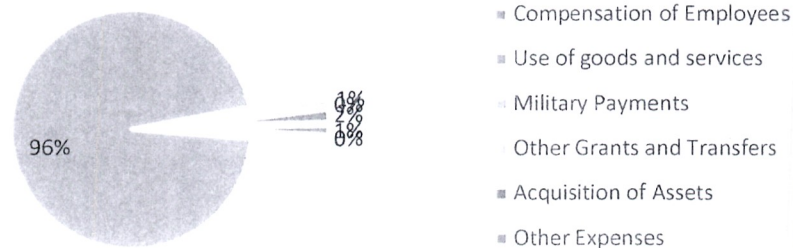
4.4. Total Payments

| Payments Classification | Year to Year Ending June 2023 | Year to Year Ending June 2022 | Variance | % Change |
|----------------------------|-------------------------------|-------------------------------|-----------------------|------------|
| Compensation of Employees | 1,548,685,010 | 1,288,932,298 | 259,752,712 | 21% |
| Use of goods and services | 436,558,575 | 393,973,793 | 42,584,782 | 1% |
| Military Payments | 125,864,662,757 | 127,807,878,804 | -1,943,216,047 | -1% |
| Other Grants and Transfers | 1,279,750,000 | 5,150,000,000 | -3,870,250,000 | -77% |
| Acquisition of Assets | 45,097,306 | 27,316,864 | 17,780,442 | 48% |
| Other Expenses | 2,186,569,299 | 4,188,488,423 | -2,001,919,424 | -48% |
| TOTAL PAYMENTS | 131,361,322,646 | 138,856,590,182 | -7,495,267,536 | -5% |

The reduction in Total Payments is due to less budget approved for Sagas AND Exchequer Shortfall

The diagram below depicts the share of major categories of payments for the fiscal year ended 30th June 2023.

PAYMENTS ANALYSED

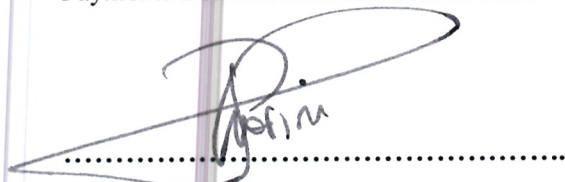


4.5. Financial Assets Summary

| Bank Account Name | Year to Year Ended Jun 2023 | Year to Year Ended Jun 2022 | Change | % Change |
|-----------------------|--------------------------------|--------------------------------|---------------------|-------------|
| Recurrent Account | 2,468,107 | 21,085,931 | -18,617,824 | -88% |
| Deposits | 1,588,294,575 | 1,926,439,822 | -338,145,247 | -18% |
| Development | 78,898 | 1,049,427 | -970,529 | -92% |
| Ulinzi Sports Complex | 770,497 | 40,770,497 | -40,000,000 | -98% |
| Escrow | 0 | 496,791,300 | -496,791,300 | -100% |
| Total | 1,591,612,077 | 2,486,136,977 | -894,524,900 | -36% |

Recurrent Bank balances decreased by 88% as a result of decreased receipts towards year end.

Deposit Account Bank Balance reduced by 18% as a result of decreased collection of deposits, transfer of Unclaimed Liabilities (Pensions, Uncleared Effects) and unused agency funds. The 100% decrease in Escrow Account Bank Balance was as a result of transfer of the funds accrued to the Exchequer. The 98% reduction in the Ulinzi Sports Complex at the end of the FY was because of Payments from the accounts with no funds received in the Account during the FY.



PRINCIPAL SECRETARY / ACCOUNTING OFFICER
DEFENCE MINISTRY

5. Statement of Performance Against Predetermined Objectives for the FY 2022/23

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the Ministry’s performance against predetermined objectives.

The key objectives of the Ministry of Defence as per its constitutional mandate are to:

- a) To defend and protect the sovereignty and territorial integrity of the Republic, support internal security operations and promote Regional and International Peace and Security
- b) To support humanitarian activities
- c) To provide policy direction and administrative support services
- d) To administer and coordinate space related activities

Progress on attainment of Strategic development objectives

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

| MDA Program: | Objective | Outcome | Indicator | Performance |
|---|---|---|--|---|
| 1. National Defence | | | | |
| Sub Program: 1. Defence Policy Management | To defend and protect sovereignty and territorial integrity of the Republic, support internal security operations and promote Regional and International Peace & Security | Provide direction and support to the three Services to secure the Nation. | Timely and effective logistics support | Provided ammo and material, and Maintained equipment and infrastructure |
| | | | Efficient personnel administration | General personnel administration and welfare was provided. |
| | | | Timely and effective operational support | Provided support to military operations |

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

| | | | |
|--|--|--|---|
| | | Intelligence gathering and dissemination | Intelligence gathered and disseminated |
| | | Comprehensive medical support | Coordination, provision of medical supplies and services was done |
| | | Level of public awareness | Public awareness and information dissemination was done |
| | | Quality and effectiveness of legal support | Litigations and legal support to services was provided |
| | | Military modernisation | Acquisition of new equipment and development of related infrastructure on going |
| | | | |
| Sub Program: 2 Land Defence | Secure National land borders | Respond to land based threats. | Timely and effective response to land based threats |
| | Border Securitization | Percentage of completion of the Border | 45% completion |
| | Enhanced regional & International Peace & Security | Participation in regional and international Peace support operations (PSOs) and programmes | Timely deployment and effective participation in PSOs and programmes |
| Sub Program: 3. National Air Space Defence | Secured National Air Space | Respond to Airborne threats | Timely and effective response to Airborne threats |
| | Enhanced regional & International peace & security | Participation in regional and international Peace support operations (PSOs) and programmes | Timely deployment and effective participation in PSOs and programmes |

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

| | | | | |
|--|---|---|---|--|
| Sub Program: 4. Territorial Water Defence. | | Secured Territorial Waters | Respond to Territorial Waters threats | Timely and effective response to Seaborne Threats |
| | | Enhanced regional & International peace & security | Participation in regional and international Peace support operations (PSOs) and programmes | Timely deployment and effective participation in PSOs and programmes |
| 2. Civil Aid | | | | |
| Sub Program: 1. Civil Aid | To support humanitarian activities | Humanitarian assistance provided | Respond and mitigate crisis, disasters and emergencies | Timely and effective response to emergencies and disasters |
| 3. General Administration, Planning and Support | | | | |
| Sub Program: 1. General Administration, Planning and Support Services | To provide policy direction and administrative support services | Effective Service Delivery | Provide administrative support services | Effective administrative support services were provided |
| | | Strategic Plan 2018-2022 Strategic Defence and Security Review (SDSR) Peace Support Operations Policy Military Land Policy | Strategic Plan 2018-2022 Strategic Defence and Security Review (SDSR) Peace Support Operations Policy Military Land Policy | Implementation of 2018-2022 Strategic Plan done Develop the Peace Support Operations Policy Development of Military Land Policy on going |
| Sub Program: 2. Military Industrialization | | Manufacture of small arms ammunition | Timely supply of Small Arms Ammunition | Sustained operational requirements of security agencies |
| | | Modernization of small arms ammunition | New WARSAW and NATO Ammo | Acquisition of modern ammo |

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

| | | | | |
|--|---|---|--|---|
| | | production lines | Production Lines | production line on going |
| | | Military Dehydrated Food and Ration Supplies produced | Timely Supply of Dehydrated Food and Rations | Production of dehydrated vegetables, fruits and MREs done |
| 4 National Space Management | | | | |
| Sub Program: National Space Management | To administer and coordinate space related activities | Effective management and regulation of space related activities | National Space sector regulation framework established | <p>Linkages among academia, industry, Govt and partners</p> <p>Sustainable development of capacity and outreach on going</p> <p>Promote use of space derived data across Government</p> |

6. Management Discussion and Analysis

| Recurrent Vote | | | |
|----------------|--------------------|--------------------|------------------|
| | Budget | Expenditure | Variance |
| 2019-2020 | 107,076,516,495.00 | 99,668,077,294.00 | 7,408,439,201.00 |
| 2020-2021 | 112,519,133,506.00 | 112,512,421,202.00 | 6,712,304.00 |
| 2021-2022 | 130,608,604,247.00 | 128,597,327,282.00 | 2,011,276,965.00 |
| 2022-2023 | 135,615,483,200.00 | 127,429,811,232.00 | 8,185,671,968.00 |

The Budget of the Ministry has in the last three financial years shown a steady increase the budget provision. This has been occasioned by the Ministry having new Semi-Autonomous State Agencies. This includes Kenya Shipyards Limited, National Telecommunication Security Services, Kenya Meat Commission and Kenya Space Agency and National Defence University. The Ministry has also seen its workforce increase in number due to recruitment in both the Ministry and Kenya Defence Forces. The Ministry has also undertaken projects such as the building Uhuru Gardens Memorial Park. The Ministry has also been engaged in construction of regional hospitals in KDF barracks to provide medical services to service personnel and their families and Ulinzi Sports Complex.

In the financial year 2022-23 KDF was engaged in peace keeping activities in Congo. The Deployment came with significant costs under the Peace Support Fund Initiative.

Over the years, variance in budget has been because of under issue of exchequer, resulting in Pending Bills which has affected the budget in the subsequent financial years.

| Development Vote | | | |
|------------------|------------------|------------------|------------------|
| | Budget | Expenditure | Variance |
| 2019-2020 | 9,644,150,058.00 | 8,053,465,618.00 | 1,590,684,440.00 |
| 2020-2021 | 9,742,786,689.00 | 9,742,157,884.00 | 628,805.00 |
| 2021-2022 | 6,080,000,000.00 | 6,079,897,746.00 | 102,254.00 |
| 2022-2023 | 3,365,350,874.00 | 1,747,489,410.00 | 1,617,861,464.00 |

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

The Budget of the Ministry has in the last three financial years shown a steady increase the budget provision. This has been occasioned by the Ministry having new Semi-Autonomous State Agencies. This includes Kenya Shipyards Limited, National Telecommunication Security Services, Kenya Meat Commission and Kenya Space Agency and National Defence University. However, in the Financial Year 2022-23, the scope of projects reduced due to completion of capital projects thereby occasioning a significant drop in budgetary requirement.

The variance in budget implementation in the Financial Year 2022-2023, was a due to under issue of exchequer hence resulting in Pending Bills.

7. Environmental and Sustainability Reporting

Sustainability strategy and profile -

The Ministry of Defence has been engaged in various aspects as far as Corporate Social Responsibility is concerned. Notably, among them is the Environmental Soldier Program that is aimed at conserving the environment. We have planted more than seven million trees countrywide. The Ministry has also conducted medical camps in remote areas of the country to assist the residents access better medical care. This is in line with the Big 4 Agenda of universal Health Care. In addition, the Ministry of Defence through its technical arm, KDF, has sunk boreholes in various parts of the Country to provide potable water to the populace.

We have in the recent past rehabilitated public institutions and infrastructure such as schools, roads, bridges, railway lines, and ships in an effort to ease transport and improve livelihood.

Environmental Policy and Performance

Ministry of Defence (MOD) is in the process of reviewing its Defence Environmental Policy – a process which is at an advanced stage, pending review by Service Commanders Committee and ratification. The policy aims at enhancing sustainability across all MOD activities and installations to enable mission readiness towards achieving ‘Total National Defence’.

Sustainability Successes

MOD has had a number of successes in its environmental sustainability efforts. These include:

- a. Through the Environmental Soldier Programme (ESP), MOD has **planted 2,900,000 seedlings** in military cantonments and gazetted government forests during the year under review.
- b. MOD continues to oversee the setting up of tree nurseries in military cantonments to ensure sustainable supply for its afforestation programme. Tree nurseries have been set up at Embakasi Garrison, Kenya Military Academy, Moi Airbase and Thika Barracks, and a further two nurseries are immediately planned for the School of Military Intelligence and Langata Barracks.
- c. MOD in partnership with the Ministry of Environment and Forestry (MoEF) and other stakeholders, continues to rehabilitate its adopted forests. Successes in this area includes the ongoing restoration of Mareba Wetlands in Uasin Gishu County, successful reforestation and continued monitoring of Kibiku Forest, and the regeneration of Ragia Forest in Nyandarua – a catchment of the Sasumua Dam.

- d. MOD facilitated the training of personnel in various sustainability fields including the recently concluded Google Earth Engine Training of Five (5) Pax to enable better geospatial planning for environmental sustainability.
- e. Through the Environmental Sustainability Programme at the Kenya Military Academy, Cadets continue to be engaged in clean-up programmes including the clean-up of Dundori River and Lake Nakuru National Park.
- f. MOD has also instituted incorporation of its environmental experts in all projects' design, implementation and operation, to minimize its environmental footprint.
- g. MOD has implemented energy efficiency projects utilizing renewable energy including:
 - (1) Implementation of energy saving lighting across KDF units.
 - (2) Installation of LED street lighting across KDF units.
 - (3) Replacement of firewood with the Energy Efficient Cook Stove (DEFKITCH (K) 2010) in KDF bases.
 - (4) Installation of solar water heating units in different KDF bases.
- h. The Ministry is also implementing integrated solid waste management pilot projects at KMA, MAB and Defence Headquarters.
- i. MOD has also expanded its partnership portfolio through the whole of government approach. The partners range from government and non-governmental organizations including:
 - (1) Ministry of Environment.
 - (2) United Nations Environment Programme.
 - (3) Summit Seekers.
 - (4) Green Belt Movement.
 - (5) Various county governments.
 - (6) Nairobi Metropolitan Services

Challenges

A major challenge remains availability of funding. In spite of the efforts by the Ministry, internal funding is insufficient for the scale of its environmental programme. External is also restrictive with regards to priority projects, and as such ineffective.

Employee welfare

The Ministry is guided by various Government policies in recruitment of personnel, specifically the Public Service Commission policies and guidelines. The recruitment takes into consideration the a third gender ratio.

The Ministry has continued to train its staff to enhance performance and facilitate career development. Promotion, re-designation and job enrichment are the key strategies applied in promoting employee career growth.

All employees are placed on annual performance appraisal system. The Ministry has a reward/sanction system based on performance.

The Ministry has implemented various measures to comply with the Occupational, Safety and Health Act, 2007. These include development of ministerial guidelines on health and safety management, training of personnel on OSHA as well as provision of Personal Protective Equipment to staff.

a) Operational practices/ Market place practices

The Ministry maintains good relations with its suppliers. The Ministry is continuously improves its systems to enable it serve its customers better. Despite exchequer challenges the Ministry strives to ensure payments are paid whenever funding is available promptly while prioritizing payment of Carry-Over bills as First Charge in circumstances that the Ministry has Carry-Over bills.

Community Engagements-

The Ministry was able to airlift food and medical supplies to various parts of the country. In particular the Ministry was able to Airlift food to South Sudan



The Ministry continued its Peace Efforts in the North Rift Region affected by Banditry



MANAGEMENT CHANGES

During the Financial Year under review, the Ministry had changes in the Top Management.





8. Statement of Management 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 the Public Sector Accounting Standards Board of Kenya from time to time.

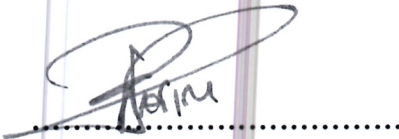
The Accounting Officer in charge of the Ministry of Defence is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2023. This 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 Ministry of Defence accepts responsibility for the ministry'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 Ministry financial statements give a true and fair view of the state of ministry's transactions during the financial year ended June 30, 2023, and of the ministry's financial position as at that date. The Accounting Officer in charge of the *Ministry of Defence* further confirms the completeness of the accounting records maintained for the *Ministry*, 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.

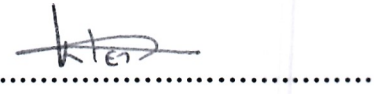
The Accounting Officer in charge of the *Ministry of Defence* confirms that the ministry has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the ministry's funds received during the year under audit were used for the eligible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

Approval of the financial statements

The *Ministry's* financial statements were approved and signed by the Accounting Officer on
30.08. 2023.



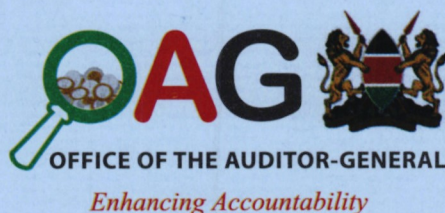
Patrick Mariru
Accounting Officer



Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF DEFENCE FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ministry of Defence set out on pages 1 to 43, which comprise of the statement of assets and liabilities as at

30 June, 2023, and the statement of receipts and payments, statement of cash flows and statements 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 Ministry of Defence as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Pending Bills

As disclosed in Note 17.2 and Annex 1 to the financial statements are pending bills totalling Kshs.9,803,533,442 as at 30 June, 2023 owed to suppliers of goods and services which were not paid in the year under review but were carried forward to 2023/2024 financial year.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

2. Contingent Liabilities

As disclosed in Note 17.7 to the financial statements, the Ministry of Defence had contingent liabilities amounting to Kshs.2,793,356,434 as at 30 June, 2023. The contingent liabilities related to court cases against the Ministry. Detailed analysis of the balance provided for audit indicated that the total active court cases amounted to Kshs.2,813,708, 910. Out of which an amount of Kshs.20,352,476 was determined and paid during the year, leaving a balance of Kshs.2,793,356,434 outstanding.

Further, no supporting evidence was provided differentiating between those cases under appeal by the Ministry and other cases that are no longer prosecuted for various reasons and therefore are considered as inactive.

My opinion is not modified in respect of these matters.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

Agency Funding

During the year under review the Ministry of Defence implemented and supervised several projects on behalf of other Ministries, Departments and Agencies. The total amounts received towards the Agency funding for the year ended 30 June, 2023 is Kshs.2,186,569,299 as reflected in the statement of receipts and payments as a contra entry. However, the Management of Agency activities was not done through an Independent Special Purpose Vehicle for purpose of strengthening the internal controls.

In the circumstances, due to commingling of funds, there is a risk of inadequate accountability over the funds received from the Ministries, Departments and Agencies.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the Ministry's financial reporting process, reviewing the effectiveness of how Management 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 overall 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Ministry to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Ministry 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 controls that are identified during the audit.

I also provide the 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 January, 2024

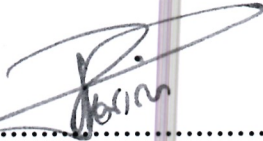
10. Statement of Receipts and Payments for the Year ended 30th June 2023

| Description | Note | 2022-2023 | 2021-2022 |
|--|------|------------------------|------------------------|
| | | Kshs | Kshs |
| Receipts | | | |
| Exchequer Releases | 1 | 129,177,300,652 | 134,677,327,293 |
| Transfers From Other Government Entities | 2 | 1,768,459,500 | 3,728,258,248 |
| Reimbursements And Refunds | 3 | 418,109,799 | 473,140,000 |
| Total Receipts | | 131,363,869,951 | 138,878,725,541 |
| | | | |
| Payments | | | |
| Compensation of Employees | 4 | 1,548,685,010 | 1,288,932,298 |
| Use of Goods and Services | 5a | 436,558,575 | 393,973,793 |
| KDF Expenditure | 5b | 125,864,662,757 | 127,807,878,804 |
| Transfers to Other Government Entities | 6 | 1,279,750,000 | 5,150,000,000 |
| Acquisition of Assets | 7 | 45,097,306 | 27,316,864 |
| Other Payments | 8 | 2,186,569,299 | 4,188,488,423 |
| Total Payments | | 131,361,322,947 | 138,856,590,182 |
| | | | |
| Surplus/(Deficit) | | 2,547,005 | 22,135,359 |

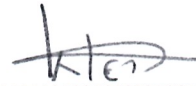
MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The ministry's financial statements were approved on 30.06.2023 and signed by:



.....
Patrick Mariru
Accounting Officer



.....
Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

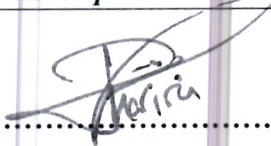
11. Statement Of Financial Assets And Financial Liabilities As At 30th June 2023

| Description | Note | 2022-2023 | 2021-2022 |
|--|------|----------------------|----------------------|
| | | Kshs | Kshs |
| Financial assets | | | |
| Cash and cash equivalents | | | |
| Bank balances | 9a | 1,591,612,077 | 2,486,136,977 |
| Cash balances | 9b | 0 | 0 |
| Total cash and cash equivalents | | 1,591,612,077 | 2,486,136,977 |
| Accounts Receivables | | | |
| Accounts Receivables | 10a | 0 | 0 |
| Imprests and advances | 10b | 0 | 4,475,000 |
| Total financial assets | | 1,591,612,077 | 2,490,611,977 |
| Financial liabilities | | | |
| Accounts Payables | | | |
| Third party deposits and retention | 11 | 1,589,065,072 | 2,464,001,619 |
| Net financial assets | | 2,547,005 | 26,610,358 |
| Represented by | | | |
| Fund balance b/fwd. | 12 | 0 | 4,475,000 |
| Prior year adjustment | 13 | 0 | 0 |
| Surplus/(Deficit)for the year | | 2,547,005 | 22,135,359 |
| Net financial position | | 2,547,005 | 26,610,359 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The ministry's financial statements were approved on 30.06.2023 and signed by:

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023



.....
Patrick Mariru
Accounting Officer



.....
Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

12. Statement of Cash Flows For The Year Ended 30th June 2023

| Description | Notes | 2022-2023 | 2021-2022 |
|--|-------|------------------------|------------------------|
| | | Kshs | Kshs |
| Operating Activities | | | |
| Receipts | | | |
| Exchequer releases | 1 | 129,177,300,652 | 134,677,327,293 |
| Transfers from other government entities | 2 | 1,768,459,500 | 3,728,258,248 |
| Reimbursements and refunds | 3 | 418,109,799 | 473,140,000 |
| Total Receipts | | 131,363,869,951 | 138,878,725,541 |
| Payments | | | |
| Compensation of employees | 4 | 1,548,685,010 | 1,288,932,298 |
| Use of goods and services | 5a | 436,558,575 | 393,973,793 |
| Military Payments | 5b | 125,864,662,757 | 127,807,878,804 |
| Transfers to other government units | 6 | 1,279,750,000 | 5,150,000,000 |
| Other Expenses | 8 | 2,186,569,299 | 4,188,488,423 |
| Total Payment | | 131,316,225,641 | 138,829,273,318 |
| Net receipts/(payments) | | | |
| Adjusted For: | | | |
| Adjustments during the year | | | |
| Prior year adjustments | 13 | (26,610,356) | -46,344,586 |

MINISTRY OF DEFENCE

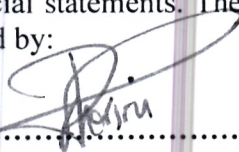
Annual Report and Financial Statements for the year ended 30th June 2023

| Description | Notes | 2022-2023 | 2021-2022 |
|--|-------|----------------------|----------------------|
| | | Kshs | Kshs |
| Decrease/(Increase) in accounts receivable | 14 | 4,475,000 | 0 |
| Increase/(Decrease) in deposits and retention | 11 | (874,936,547) | 1,723,660,194 |
| Net Cash Flow from Operating Activities | | (849,427,593) | 1,726,767,831 |
| Cash flow From Investing Activities | | | |
| Acquisition of assets | 7 | (45,097,306) | -27,316,864 |
| Net Cash Flows from Investing Activities | | (45,097,306) | -27,316,864 |
| Cash flow From Financing Activities | | | |
| Net cash flow from financing activities | | | |
| Net increase in cash and cash equivalents | | (894,524,901) | 1,699,450,967 |
| Cash & Cash Equivalent at Start of The Year | 9a | 2,486,136,983 | 786,686,015 |
| Cash & Cash Equivalent at End of The Year | 9a | 1,591,612,084 | 2,486,136,977 |

MINISTRY OF DEFENCE


Annual Report and Financial Statements for the year ended 30th June 2023

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry's financial statements were approved on 30.06.2023 and signed by:



.....

Patrick Mariru
Accounting Officer



.....

Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

13. Statement of Comparison of Budget and Actual Amounts for FY2022/23

| Revenue/Expense Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilisation Difference e=c-d | % of Utilisation Difference to Final Budget f=d/c % |
|----------------------------|------------------------|----------------------|------------------------|---------------------------------|--|--|
| RECEIPTS | | | | | | |
| Exchequer releases | 131,683,300,000 | 7,297,534,074 | 138,980,834,074 | 129,177,300,642 | 9,803,533,432 | 93% |
| Total Receipts | 131,683,300,000 | 7,297,534,074 | 138,980,834,074 | 129,177,300,642 | 9,803,533,432 | 93% |
| Payments | | | | | | |
| Compensation of Employees | 2,130,000,000 | 563,000,000 | 1,567,000,000 | 1,548,685,010 | 18,314,991 | 99% |
| Use of goods and services | 447,850,000 | - | 447,850,000 | 436,558,575 | 11,291,425 | 97% |
| Military Payments | 127,575,350,000 | 7,963,034,074 | 135,538,384,074 | 125,864,662,757 | 9,673,721,317 | 93% |
| Other Grants and transfers | 1,482,250,000 | 102,500,000 | 1,279,750,000 | 1,279,750,000 | 100,000,000 | 100% |
| Acquisition of Assets | 47,850,000 | - | 47,850,000 | 45,097,306 | 2,752,694 | 94% |
| Grand Total | 131,683,300,000 | 7,297,534,074 | 138,980,834,074 | 129,174,753,648 | 9,806,080,427 | 93% |

**MINISTRY OF DEFENCE
Annual Report and Financial Statements for the year ended 30th June 2023**

| | | | | |
|-----------------|---|---|-----------|-------------|
| Surplus/Deficit | - | - | 2,546,995 | - 2,546,995 |
|-----------------|---|---|-----------|-------------|

(a) Variance analysis

a. N/A

(b) Reallocations within the year:


a. The significant differences between Approved Budget and Original Budget as a result of Supplementary Budgets.

(c) (Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The ministry's financial statements were approved on 30.06.2023 and signed by:



 Patrick Mariru
 Accounting Officer



 Electina W. Wanyonyi
 Head of Accounting Unit
 ICPAK M/No 3674

MINISTRY OF DEFENCE
Annual Report and Financial Statements for the year ended 30th June 2023

| | |
|---|-------------------------------|
| Receipts as per Statement of Appropriation | 129,177,300,652 |
| Transfers from Other Government Entities | 1,768,459,500 |
| Reimbursements and Refunds | <u>418,109,799</u> |
| Receipts Not Appropriated by TNA | <u>2,186,569,299</u> |
| Revised Receipts (including Funds not appropriated by TNA) | <u>131,363,869,951</u> |
| Payments as per Statement of Appropriation | 129,174,753,647 |
| Payments from Funds Not appropriated By TNA | 2,186,569,299 |
| Revised Payments (Including Funds Not appropriated By TNA) | <u>131,361,322,946</u> |
| Surplus | 2,547,005 |

NB

Significant difference between amounts in Receipts & Payments And Statement of Comparison is due to omission of agency funds that have been budgeted for in the Respective Ministries where the funds originated from.

14 (a) Statement of Comparison of Budget and Actual Amounts: Recurrent for FY2022/23

| Revenue/Expense Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation Difference to Final Budget |
|----------------------------|-----------------|---------------|-----------------|----------------------------|-------------------------------|---|
| | a | b | c=a+b | d | e=d-c | f=d/c % |
| RECEIPTS | | | | | | |
| Exchequer releases | 128,215,300,000 | 7,400,183,200 | 135,615,483,200 | 127,429,811,232 | 8,185,671,968 | 94% |
| Total Receipts | 128,215,300,000 | 7,400,183,200 | 135,615,483,200 | 127,429,811,232 | 8,185,671,968 | 94% |
| PAYMENTS | | | | | | |
| Compensation of Employees | 2,130,000,000 | - | 1,567,000,000 | 1,548,685,010 | 18,314,991 | 99% |
| Use of goods and services | 447,850,000 | - | 447,850,000 | 436,558,575 | 11,291,425 | 97% |
| Military Payments | 124,517,350,000 | 7,963,183,200 | 132,680,533,200 | 124,424,752,245 | 8,055,780,955 | 94% |
| Other Grants and transfers | 1,072,250,000 | - | 1,072,250,000 | 972,250,000 | 100,000,000 | 100% |
| Acquisition of Assets | 47,850,000 | - | 47,850,000 | 45,097,306 | 2,752,694 | 94% |
| Grand Total | 128,215,300,000 | 7,400,183,200 | 135,615,483,200 | 127,427,343,136 | 8,188,140,065 | 94% |

MINISTRY OF DEFENCE
Annual Report and Financial Statements for the year ended 30th June 2023

| | | | | | |
|-----------------|---|---|-----------|---|-----------|
| Surplus/Deficit | - | - | 2,468,097 | - | 2,468,097 |
|-----------------|---|---|-----------|---|-----------|

Notes

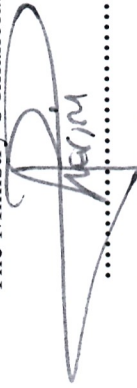
(a) *Variance analysis*
N/A

(b) *Reallocations within the year:*

a. *The significant differences between Approved Budget and Original Budget as a result of Supplementary Budgets.*

(a) *Reallocations within the year: (Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.7.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.*

The Ministry's financial statements were approved on 30.06.2023 and signed by:


.....

Patrick Mariru
Accounting Officer


.....

Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

MINISTRY OF DEFENCE
Annual Report and Financial Statements for the year ended 30th June 2023

14 (b) Statement Of Comparison of Budget and Actual Amounts: Development for FY2022/23

| Revenue/Expense Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilisation Difference e=c-d | % of Utilisation f=d/c % |
|------------------------|----------------------|------------------|-----------------------|------------------------------------|---|--------------------------------|
| RECEIPTS | | | | | | |
| Exchequer releases | 3,468,000,000 | (102,649,126) | 3,365,350,874 | 1,747,489,410 | 1,617,861,464 | 52% |
| Total Receipts | 3,468,000,000 | (102,649,126) | 3,365,350,874 | 1,747,489,410 | 1,617,861,464 | 52% |
| Payments | | | | | | |
| Payments - Development | 3,058,000,000 | (149,126) | 3,057,850,874 | 1,439,910,512 | 1,617,940,362 | 47% |
| Grants | 410,000,000 | (102,500,000) | 307,500,000 | 307,500,000 | - | 100% |
| Grand Total | 3,468,000,000 | (102,649,126) | 3,365,350,874 | 1,747,410,512 | 1,617,940,362 | 52% |
| Surplus/Deficit | 0 | 0 | 0 | 78,898 | (78,898) | |

(a) Variance analysis


a. The significant under expenditure was as a result of exchequer shortfall for the development vote.

(b) Reallocations within the year:

a. The significant differences between Approved Budget and Original Budget as a result of Supplementary Budgets.

MINISTRY OF DEFENCE
Annual Report and Financial Statements for the year ended 30th June 2023

The ministry's financial statements were approved on 30.06.2023 and signed by:



Patrick Mariru
Accounting Officer



Electina W. Wanyonyi
Head of Accounting Unit
ICPAK M/No 3674

14 (c) Budget Execution by Programmes and Sub-Programmes for 2023

| Programme/Sub-programme | Original Budget 2022 Kshs | Adjustments Kshs | Final Budget 2022 Kshs | Actual on comparable basis Kshs | Budget utilization difference Kshs | % |
|--|------------------------------|---------------------|---------------------------|------------------------------------|---------------------------------------|------|
| 1041-100 Headquarter Administrative Services | 2,625,700,000 | (563,000,000.00) | 2,062,700,000 | 2,030,340,891 | 32,359,110 | 98% |
| 1041-201 Headquarter Administrative Services | 124,517,350,000 | 7,963,183,200.00 | 132,480,533,200 | 124,424,752,245 | 8,055,780,955 | 94% |
| Other Grants and transfers | 1,072,250,000 | 0.00 | 1,072,250,000 | 972,250,000 | 100,000,000 | 100% |
| Development 1041-300 | 3,058,000,000 | (149,126.00) | 3,057,850,874 | 1,439,910,512 | 1,617,940,362 | 47% |
| Development 1041-502 | 410,000,000 | -102,500,000 | 307,500,000 | 307,500,000 | 0 | 100% |
| | 131,683,300,000 | 7,297,534,074.00 | 138,980,834,074 | 129,174,753,648 | 9,806,080,427 | 4 |

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. It should tie with the combined Statement of Budgeted Vs Actual Amounts. Ensure that this document is completed to enable consolidation by the National Treasury)

14. Notes to the Financial Statements

1. Statement of Compliance and Basis of Preparation

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

2. Reporting Entity

The financial statements are for the Ministry of Defence. The financial statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

3. Reporting Currency

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

Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by Ministry of Defence for all the years presented.

a) Recognition of Receipts

The Ministry recognises all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

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

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2023, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) Miscellaneous receipts

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

Significant Accounting Policies (Continued)

b) Recognition of payments

The Entity recognises all payments when the event occurs, and the related cash has been paid out by the Ministry.

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

iii) Interest on Borrowing

Borrowing costs that include interest are recognized as payment in the period in which they are paid for. The Ministry had no borrowings during the Financial Year in under review

iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The Ministry had no borrowings during the Financial Year under review.

v) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained and a summary provided for purposes of consolidation. This summary is disclosed as an annexure 4 to the financial statements.

Significant Accounting Policies (Continued)

vi) In-kind contributions

In-kind contributions are donations that are made to the Ministry 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 Ministry includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

vii) Third Party Payments

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

c) 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. A bank account register is maintained, and a summary provided for purposes of consolidation. This summary is disclosed as Note 9a to the financial statements.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2023, this amounted to Kshs 1,589,065,072 compared to Kshs 2,464,001,619 in prior period as indicated on note 11 . There were no other restrictions on cash during the year.

Significant Accounting Policies (Continued)

d) Imprests and advances

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

e) Third party deposits and retention

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

f) Pending Bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget

was approved by Parliament in June 2022 for the period 1st July 2022 to 30th June 2023 as required by Law and there were 3 number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

h) Comparative Figures

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

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

j) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 13* explaining the nature and amounts.

k) Related Party Transactions

Related party means parties are related if one party has the ability to:

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

Significant Accounting Policies (Continued)

l) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Ministry does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Note 17.7 and Annex 7 of this financial statement is a register of the contingent liabilities in the year.

NOTES TO THE FINANCIAL STATEMENTS

1 Exchequer releases

| Description | 2022-2023 | 2021-2022 |
|--------------------------|------------------------|------------------------|
| | Kshs | Kshs |
| Transfers From Exchequer | 129,177,300,652 | 134,677,327,293 |
| Total | 129,177,300,652 | 134,677,327,293 |

- i. The Exchequer Releases for the Financial Year reduced as compared the the Previous FY despite the overall budget increasing. This occasioned the Ministry to have pending bills.

2 Transfers from other Government Entities

| Description | 2022-2023 | 2021-2022 |
|---|----------------------|----------------------|
| | Kshs | Kshs |
| Transfers from National government entities | | |
| Pensions | 26,114,155 | 131,815,107 |
| RTCDC | 6,161,051 | 8,606,756 |
| Ministry of Interior | 0 | 1,035,861,989 |
| Ministry of Health | 0 | 1,716,226,520 |
| National Treasury | 99,500,000 | |
| Ministry of Transport | 229,441,910 | 40,215,895 |
| Ministry of ICT & Youth | 475,000,000 | 6,808,982 |
| Ministry of Enviroment | 51,532,720 | 10,530,231 |
| State House | 650,000,000 | 778,192,768 |
| Ministry of Wildlife - KWS | 6,531,000 | 0 |
| Ministry of Foreign Affairs | 14,674,700 | |
| Ministry of Education | 209,503,964 | |
| Total | 1,768,459,500 | 3,728,258,248 |

- i. Despite an increase in the number of entities that transferred Monies to the Ministry of Defence, the overall sum reduced. Programmes under the Ministry of Health and Ministry of Interior did not have any transfers during this financial year.

2b) Transfers from other Government entities

| Description | | | 2022-2023 | 2021-2022 |
|---|----------------------|-------------|----------------------|----------------------|
| | Recurrent | Development | Kshs | Kshs |
| Transfers from National government entities | | | | |
| Pensions | 26,114,155 | | 26,114,155 | 131,815,107 |
| RTCDC | 6,161,051 | | 6,161,051 | 8,606,756 |
| Ministry of Interior | 0 | | 0 | 1,035,861,989 |
| Ministry of Health | 0 | | 0 | 1,716,226,520 |
| National Treasury | 99,500,000 | | 99,500,000 | |
| Ministry of Transport | 229,441,910 | | 229,441,910 | 40,215,895 |
| Ministry of ICT & Youth | 475,000,000 | | 475,000,000 | 6,808,982 |
| Ministry of Enviroment | 51,532,720 | | 51,532,720 | 10,530,231 |
| State House | 650,000,000 | | 650,000,000 | 778,192,768 |
| Ministry of Wildlife - KWS | 6,531,000 | | 6,531,000 | 0 |
| Ministry of Foreign Affairs | 14,674,700 | | 14,674,700 | |
| Ministry of Education | 209,503,964 | | 209,503,964 | |
| Total | 1,768,459,500 | 0 | 1,768,459,500 | 3,728,258,248 |

3 Reimbursements and Refunds

| Description | 2022-2023 | 2021-2022 |
|----------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Reimbursements and Refunds | 418,109,799 | 473,140,000 |
| | | |
| Total | 418,109,799 | 473,140,000 |

Notes to the Financial Statements (continued)

4 Compensation to Employees

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Basic salaries of permanent employees | 720,449,737 | 765,713,312 |
| Personal allowances paid as part of salary | 828,235,273 | 523,218,986 |
| Total | 1,548,685,010 | 1,288,932,298 |

- i. There was a significant increase in compensation to employees especially allowances paid as part of Salary. This is due to increase in staff and increase in budget provision.

5 Use of Goods and Services

| Description | 2022-2023 | 2021-2022 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Communication, supplies and services | 12,043,467 | 11,657,796 |
| Domestic travel and subsistence | 59,919,534 | 85,411,835 |
| Foreign travel and subsistence | 28,021,916 | 19,713,899 |
| Printing, advertising, and information supplies & services | 14,680,675 | 11,474,064 |
| Training expenses | 51,491,553 | 43,466,057 |
| Hospitality supplies and services | 42,790,990 | 46,263,642 |
| Specialized materials and services | 35,964,363 | 34,060,073 |
| Office and general supplies and services | 35,024,741 | 14,154,774 |
| Fuel Oil and Lubricants | 26,493,973 | 22,420,547 |
| Other operating expenses | 85,746,640 | 69,838,233 |
| Routine maintenance – vehicles and other transport equipment | 18,661,872 | 25,451,326 |
| Routine maintenance – other assets | 9,863,851 | 10,061,547 |
| Research & Feasibility Studies | 15,855,000 | 0 |
| Total | 436,558,575 | 393,973,793 |

- i. There was a marginal increase in compensation to employees especially allowances paid as part of Salary. This is due to increase in budget provision and activities in the Ministry.

MINISTRY OF DEFENCE

Annual Report and Financial Statements for the year ended 30th June 2023

5b

Use of Goods and Services - MILITARY

| Description | 2022-2023 | 2021-2022 |
|------------------------------------|------------------------|------------------------|
| | Kshs | Kshs |
| Kenya Defence Forces | 124,199,732,053 | 124,230,749,753 |
| Development Expenditure - Military | 1,439,910,512 | 2,999,897,645 |
| National Air Support Department | 225,020,192 | 577,231,406 |
| Total | 125,864,662,757 | 127,807,878,804 |

- i. *There was a marginal decrease in expenditure due to exchequer shortfall.*

6 Grants and Transfers to other Government Entities

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Transfers to National Government entities | | |
| Kenya Shipyard Limited | 250,000,000 | 3,000,000,000 |
| Kenya Meat Commission | 603,750,000 | 1,500,000,000 |
| National Treasury – Contingency Fund | 0 | 450,000,000 |
| Kenya Space Agency | 220,000,000 | 200,000,000 |
| National Defence University | 106,000,000 | 0 |
| National Security Telecommunication Services | 100,000,000 | |
| Total | 1,279,750,000 | 5,150,000,000 |

- i. *There was a significant decrease transfers to other Govt Entities due to reduction in development budgets for the SAGAs in the Ministry. Most transfers were for recurrent expenditure.*
- ii. *Capital Projects had decreased significantly.*

Notes to the Financial Statements (Continued)

6 b: Transfers to self – reporting entities in the year

The above transfers were made to the following self-reporting entities in the year:

| Description | 2022-2023 | Recurrent | Development | 2021-2022 |
|--|----------------------|--------------------|--------------------|----------------------|
| | Kshs | | | Kshs |
| Transfers to National Government entities | | | | |
| Kenya Shipyard Limited | 250,000,000 | 250,000,000 | | 3,000,000,000 |
| Kenya Meat Commission | 603,750,000 | 296,250,000 | 307,500,000 | 1,500,000,000 |
| National Treasury – Contingency Fund | 0 | 0 | | 450,000,000 |
| Kenya Space Agency | 220,000,000 | 220,000,000 | | 200,000,000 |
| National Defence University | 106,000,000 | 106,000,000 | | 0 |
| National Security Telecommunication Services | 100,000,000 | 100,000,000 | | |
| Total | 1,279,750,000 | 972,250,000 | 307,500,000 | 5,150,000,000 |

- i. We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement

7 Acquisition of Assets

| Non -Financial Assets | 2022-2023 | 2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Purchase of Vehicles and other Transport Equipment | 14,725,746 | 9,960,414 |
| Purchase of Office Furniture and General Equipment | 16,245,550 | 14,381,850 |
| Overhaul and Refurbishment of Construction and Civil Works | 9,825,900 | 0 |
| Purchase of Specialized Plant, Equipment and Machinery | 4,300,110 | 2,974,600 |
| Total | 45,097,306 | 27,316,864 |

- i. (Where Financial Assets are purchased, explanation should be given as to the nature of the assets purchased and the institutions where such investments are made. Explain significant changes from prior period)

Notes to the Financial Statements (Continued)

8 Other Payments

| Explanation | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Pensions | 26,114,155 | 118,905,282 |
| RTCDC | 6,161,051 | 8,606,756 |
| Ministry of Interior | | 1,035,861,989 |
| Agency - Ministry of Transport – Railway Maintenance | 229,441,910 | 40,215,895 |
| Agency - Ministry of Health | 0 | 1,716,226,520 |
| Ministry of ICT & Youth | 475,000,000 | 6,808,982 |
| Agency - Ministry of Environment | 51,532,720 | 10,530,231 |
| State House | 650,000,000 | 778,192,768 |
| UN Compensation Reimbursement | 418,109,799 | 473,140,000 |
| Agency – National Treasury | 99,500,000 | 0 |
| Agency – Ministry of Wildlife - KWS | 6,531,000 | 0 |
| Agency – Ministry of Education | 209,503,964 | 0 |
| Ministry of Foreign Affairs | 14,674,700 | 0 |
| Total | 2,186,569,299 | 4,188,488,423 |

- i. There was a significant reduction in the expenses due to reduction in transfers from other Government entities.
- ii. There was an increase in the number of entities that transferred monies to the Ministry.

● Notes to the Financial Statements (Continued)

9 Cash and Bank Accounts

| Description | 2022-2023 | 2021-2022 |
|--------------------------|----------------------|----------------------|
| | Kshs | Kshs |
| Bank Accounts (Note 9 A) | 1,591,612,077 | 2,486,136,977 |
| Cash on hand (Note 9 B) | 0 | 0 |
| Total | 1,591,612,077 | 2,486,136,977 |

9A: Bank Accounts

| Name of Bank, Account No. & currency | Amount in bank account currency | Indicate whether recurrent, Development, deposit etc. | 2022-2023 | 2021-2022 |
|--------------------------------------|---------------------------------|---|----------------------|----------------------|
| | | | Kshs | Kshs |
| <i>Recurrent, MoD, 1000181435</i> | Ksh | Recurrent | 2,468,107 | 21,085,931 |
| <i>Deposit, MoD, 1000182032</i> | Ksh | Deposit | 1,588,294,575 | 1,926,439,822 |
| <i>CBK, 1000182466, CBK 165</i> | Ksh | CBK65 | 0 | 0 |
| <i>Development, MoD</i> | Ksh | Development | 78,898 | 1,049,427 |
| <i>MoD, 1000387246</i> | Ksh | Revenue | 0 | 0 |
| <i>Ulinzi Sports Complex</i> | | | | |
| <i>Deposit MoD, 1000477873</i> | Ksh | Deposit | 770,497 | 40,770,497 |
| <i>Escrow</i> | Ksh | Project Deposit | 0 | 496,791,300 |
| Total | | | 1,591,612,077 | 2,486,136,977 |

9B: Cash on hand

| Description | 2022-2023 | 2021-2022 |
|--------------------|-----------|-----------|
| | Kshs | Kshs |
| Cash in hand – DHQ | 0 | 0 |
| Total | 0 | 0 |

Notes to the Financial Statements (Continued)

10 A. Detailed Cash is as follows:

| Description | 2022-2023 | 2021-2022 |
|-----------------------------|-----------|-----------|
| | Kshs | Kshs |
| MoD Cash Office - Recurrent | 0 | 0 |
| Total | 0 | 0 |

Board of Survey are annexed as part of this Financial Statements

10 B: Imprests and Advances

| Description | 2022-2023 | 2021-2022 |
|---------------------|-----------|------------------|
| | Kshs | Kshs |
| Government Imprests | 0 | 4,475,000 |
| Total | 0 | 4,475,000 |

The unrecovered imprest is due to desertation by the imprest holder.

Imprests and advances Aging analysis.

| | 2022-2023 | % of the total | 2021-2022 | % of the total |
|----------------|------------|----------------|------------------|----------------|
| Under one year | NIL | 0% | NIL | 0% |
| 1-2 years | NIL | 0% | NIL | 0% |
| 2-3 years | NIL | 0% | NIL | 0% |
| Over 3 years | NIL | 0 % | 4,475,000 | 100 % |
| Total | NIL | 0 % | 4,475,000 | 100 % |

| Name of Officer or Institution | Date Imprest Taken | Amount Taken | Amount Surrendered | Balance |
|--------------------------------|--------------------------|-----------------|-----------------------|----------|
| | | Kshs | Kshs | Kshs |
| Name of Officer or Institution | | | | |
| Total | | 0 | | 0 |

11 Third party deposits and retention

| Description | 2022-2023 | | 2021-2022 | |
|-------------------------|------------------|-----------------------|------------------|-----------------------|
| | Kshs | | Kshs | |
| Retention | 0 | | 0 | |
| Deposits | 1,588,294,575 | | 1,926,439,822 | |
| Ulinzi Sports Complex | 770,467 | | 40,770,497 | |
| Escrow Deposits | 0 | | 496,791,300 | |
| Suspense Accounts | 0 | | 0 | |
| Total | 1,589,065,072 | | 2,464,001,619 | |
| Ageing analysis: | 2022-2023 | % of the Total | 2021-2022 | % of the Total |
| Under one year | 338,079,785 | 21% | 497,624,808 | 20% |
| 1-2 years | 585,500,953 | 37% | 924,705,288 | 38% |
| 2-3 years | 532,387,467 | 34% | 858,908,936 | 35% |
| Over 3 years | 133,096,866 | 8% | 182,762,585 | 7% |
| Total | 1,589,065,072 | | 2,464,001,619 | |

(Provide short appropriate explanations as necessary)

12 Fund Balance Brought Forward

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|--------------------|
| | Kshs | Kshs |
| Bank Accounts | 2,486,136,977 | 786,686,015 |
| Surrendered Balances Recurrent Vote | -21,085,931 | -46,174,947 |
| Surrendered Balances Development Vote | -1,049,427 | -169,643 |
| Adjusted Bank Balances | 2,464,001,619 | 740,341,425 |
| Cash in hand | 0 | 0 |
| Imprests and advances | 0 | 4,475,000 |
| Third party deposits and retention | -2,464,001,619 | -740,341,425 |
| Total | 0 | 4,475,000 |

(Provide short appropriate explanations as necessary)

13 Prior Year Adjustments

| | Balance b/f FY 2021/2022 as per audited financial statements | Adjustments during the year relating to prior periods | Adjusted ** Balance b/f Current Year |
|------------------------------------|--|--|--|
| Description of the error | Kshs | Kshs | Kshs |
| Bank Account Balances | 22,135,358 | 22,135,358 | 0 |
| Cash In Hand | | | |
| Imprests and advances | | | |
| Third party deposits and retention | | | |
| Receivables | 4,475,000 | 4,475,000 | |
| Total | 26,610,358 | 26,610,358 | 0 |

** (The adjusted balances are not carried down on the face of the financial statement. Entity to provide disclosure on the adjusted amounts)(Explain whether the prior year relates to errors noted

in prior year, changes in estimates or accounting policy. Provide explanations for the prior year adjustments made their nature and effect on the fund balance of the entity).

Notes to the Financial Statements (Continued)

14 (Increase)/ Decrease in Advances and Imprests

| Description | 2022-2023 | 2021-2022 |
|---|-------------|------------------|
| | Kshs | Kshs |
| Outstanding Imprest as at 1 st July 2022 (A) | 4,475,000 | 4,475,000 |
| Imprest issued As At 30 th June (B) | 922,083,819 | 1,088,552,228 |
| Imprest surrendered during the Year (C) | 922,083,819 | (1,088,552,228) |
| Adjustments | 4,475,000 | 0 |
| (Increase)/ Decrease in Receivables (D=(B-A)) | 0 | 4,475,000 |

(Receivable as at 1st July for Current FY should be the same as receivable as at 30th June for previous FY)

15 Increase/ (Decrease) in Retention and Third-Party Deposits

| Description | 2022-2023 | 2021-2022 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Deposit & Retention As At 1 st July (A) | 1,967,210,319 | 740,341,425 |
| Deposit & Retention held during the Year (B) | 3,363,047,270 | 5,232,644,269 |
| Deposit & Retention Paid during the Year (C) | 3,741,192,518 | 4,005,775,375 |
| Net changes in account payables D=A+B-C | 1,589,065,072 | 1,967,210,319 |
| Increase/ (Decrease) In Payables | | |

16 Related Party Disclosures

The following comprise of related parties to the Ministry of Defence

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

17 Other Important Disclosures**17.1 Related party transactions:**

| Description | 2022-2023 | 2021-2022 |
|--|------------------------|------------------------|
| | Kshs | Kshs |
| Key Management Compensation | | |
| Transfers to Related Parties | | |
| Transfers to other MDAs | 1,279,500,000 | 5,070,000,000 |
| Transfers to SCs and SAGAs | | |
| Transfers to Development Project | | |
| Transfers to County Governments | | |
| Transfer to Non -Reporting Secondary /Primary Schools | | |
| Transfer to other Non -Reporting Government Entities | | |
| Total Transfers to Related Parties | 1,279,500,000 | 5,070,000,000 |
| | | |
| Purchase of Goods and Services | | |
| Purchase of Electricity from KPLC | | |
| Purchase of Water from Govt Service Providers | | |
| Rent paid to Govt. Agencies | | |
| Training Fees paid to Govt Agencies | | |
| Conference Facilities hired from Govt. Agencies | | |
| Others (Specify) | | |
| Total Goods and Services paid to Govt. Agencies | | |
| | | |
| Transfers from Related Parties | | |
| Transfers from the Exchequer | 129,177,300,652 | 134,677,327,293 |
| Transfers from other MDAs | 1,768,459,200 | 3,728,258,248 |
| (Insert any other Transfers Received from Govt.) | | |
| Total Transfers from Related Parties | 130,945,759,852 | 138,405,585,541 |

Other important disclosures (continued)

17.2 Pending Accounts Payable (See Annex 1)

| | Balance b/f Previous 2021-2022 | Additions for the period | Paid during the year | Balance c/f Current FY |
|-----------------------------|--------------------------------------|-----------------------------|-------------------------|---------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Construction of Buildings | | | | |
| Construction of Civil Works | | 1,617,861,484 | | 1,617,861,484 |
| Supply of Goods | 1,755,046,240 | 8,185,671,958 | 1,755,046,240 | 8,185,671,958 |
| Supply of Services | | | | |
| Total | 1,755,046,240 | 9,803,533,442 | 1,755,046,240 | 9,803,533,442 |

- i. Pending Bills in relation to Financial Year 21/22 worth Kshs 1,755,046,240 were paid in full during the financial year.
- ii. The Ministry had exchequer shortfall at the end of the financial year resulting in Pending Bills of Kshs 9,803,533,442.

17.3: Pending Staff Payables (See Annex 2)

| | Balance b/f Previous FY | Additions for the period | Paid during the year | Balance c/f Current FY |
|-------------------|----------------------------|--------------------------------|-------------------------|---------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Senior Management | | | 0 | |
| Middle Management | | | 0 | |
| Union Employees | | | 0 | |
| Others | | | 0 | |
| Total | | | 0 | |

(Provide an explanatory narrative on this note)

Other important disclosures (continued)

17.4: Other Pending Payables (See Annex 3)

| | Balance b/f Previous FY | Additions for the period | Paid during the year | Balance c/f Current FY |
|--|-------------------------------|-----------------------------|-------------------------|------------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Amounts due to National Government Entities | | | 0 | |
| Amounts due to County Government Entities | | | 0 | |
| Amounts due to Third Parties | | | 0 | |
| Total | | | 0 | |

17.7 Contingent Liabilities

| Contingent liabilities | Insert Current FY | Insert Comparative FY |
|--|----------------------|--------------------------|
| | Kshs | Kshs |
| Court case against <i>(the Ministry)</i> | 2,793,356,434 | 1,807,350,099 |
| Bank guarantees in favour of subsidiary | | |
| Contingent liabilities arising from PPPs | | |
| Total | 2,793,356,434 | 1,807,350,099 |

(Give details- Update ANNEX 7 Contingent liabilities register)

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Notes to the Financial Statements (Continued)

17.8 Progress on follow up of Prior Years Auditor-General's recommendations.

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--------------------------------------|---|
| 248 | Note 17.2 and Annex 1 to the financial statements reflects pending bills balance of Kshs.1,755,046,240 as at 30 June, 2022 owed to suppliers of goods and services which were not paid in the year under review but were carried forward to 2022/2023 financial year. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge. | The Management Held discussions with the Parliamentary Accounts Committee. | Not Resolved | 31 st December 2023 |
| 249 | As disclosed in Note 17.4 to the financial statements, the Ministry of Defence had contingent liabilities amounting to | The Management Held discussions with the | Not Resolved | 31 st December 2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|-----------------------------------|--|
| 250 | <p>Kshs.1,807,350,099 as at 30 June, 2022. The contingent liabilities related to court cases against the Ministry. Detailed analysis of the balance provided for audit indicated that the total courts awards amounted to Kshs.2,171,750,099, out of which an amount of Kshs.364,400,000 was paid during the year, leaving a balance of Kshs.1,807,350,099 outstanding. No explanation was provided for failure to pay the outstanding balance of Kshs.1,807,350,099 in compliance with the court rulings. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p> <p>During the year under review, Ministry of Defence received funding for infrastructure projects procured and supervised by the</p> | <p>Parliamentary Accounts Committee.</p> <p>The Management Held discussions with the Parliamentary Accounts Committee.</p> | Not Resolved | 31 st December 2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---------------------|--------------------------------------|---|
| | <p>Ministry on behalf of another Ministry/Agency .</p> <p>However, Ministry of Defence signed contracts for amounts above the actual funds received for the respective projects resulting to an unbudgeted expenditure of Kshs.1,429,858,358. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates. Further, although physical verification done in the month of October, 2022 confirmed that the projects were completed, the unpaid amounts totalling to Kshs.1,429,858,358 were not included as</p> | | | |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---------------------|--------------------------------------|---|
| | <p>pending bills as at the end of the financial year. Ministry of Defence had continuously requested for the outstanding balances from the respective Ministry/Agency without success due to unavailability of funds. However, Management did not disclose how the extra expenditure of Kshs.1,429,858,358 committed by the Ministry would be funded in the absence of an approved budget. In the circumstances, Management was in breach of the law.</p> | | | |

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 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.

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21/11/23

WED

Patrick Mariru

Accounting Officer

Electina W. Wanyonyi

Head of Accounting Unit

ICPAK No 3674

15. Annexes

Annex 1 - Analysis of Pending Accounts Payable

| Supplier of Goods or Services | Date invoiced/contracted | Particulars | Original Amount | Balance at the beginning of the year | Addition During the year | Amount paid During the year |
|------------------------------------|--------------------------|-------------|-----------------|--------------------------------------|--------------------------|-----------------------------|
| | | | | a | b | c |
| Construction of buildings | | | | | | |
| 1. | | | | | | |
| Sub-Total | | | | | | |
| Construction of civil works | | | | 0 | 1,617,861,484 | 0 |
| 2. | | | | | | |
| Sub-Total | | | | | | |
| Supply of goods | | | | 1,755,046,240 | 8,185,671,958 | 1,755,046,240 |
| 3. | | | | | | |
| Sub-Total | | | | | | |
| Supply of services | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| Sub-Total | | | | | | |
| Grand Total | | | | 1,755,046,240 | 9,803,533,442 | 1,755,046,240 |

Annex 2 - Analysis of Pending Staff Payables

| Name of Staff | Job Group | Date Contracted | Original Amount | Amount Paid To-Date | Outstanding Balance Current Year | Outstanding Balance Previous Year | Comments |
|--------------------------|-----------|-----------------|-----------------|---------------------|----------------------------------|-----------------------------------|----------|
| | | | a | b | c=a-b | | |
| Senior Management | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| Sub-Total | | | | | | | |
| Middle Management | | | | | | | |
| 3. | | | | | | | |
| Sub-Total | | | | | | | |
| Union Employees | | | | | | | |
| 4. | | | | | | | |
| Sub-Total | | | | | | | |
| Others (specify) | | | | | | | |
| 5. | | | | | | | |
| Sub-Total | | | | | | | |
| Grand Total | | | | | | | |

Annex 3 - Analysis of Other Pending Payables

| Name | Brief Transaction Description | Date Payable Contracted | Original amount | Amount Paid To-Date | Outstanding Balance Current Year | Outstanding Balance Previous Year | Comments |
|--|-------------------------------|-------------------------|-----------------|---------------------|----------------------------------|-----------------------------------|----------|
| | | | a | b | c=a-b | | |
| Amounts due to National Govt Entities | | | | | | | |
| 1. | | | | | | | |
| 2. | | | | | | | |
| Sub-Total | | | | | | | |
| Amounts due to County Govt Entities | | | | | | | |
| 3. | | | | | | | |
| 4. | | | | | | | |
| Sub-Total | | | | | | | |
| Amounts due to Third Parties | | | | | | | |
| 5. | | | | | | | |
| 6. | | | | | | | |
| Sub-Total | | | | | | | |
| Others (specify) | | | | | | | |
| 7. | | | | | | | |
| Sub-Total | | | | | | | |
| Grand Total | | | | | | | |

Annex 4 – Summary of Fixed Asset Register

| Asset class | Historical Cost b/f (Kshs) 2021-2022 | Additions during the year (Kshs) | Disposals during the year (Kshs) | Transfers in/(out) during the year | Historical Cost c/f (Kshs) 2022-2023 |
|--|--|-------------------------------------|-------------------------------------|------------------------------------|--|
| Land | | | | | |
| Buildings and structures | 26,699,999 | 9,825,900 | | | 36,525,899 |
| Transport equipment | 145,899,143 | 14,725,746 | | | 160,624,889 |
| Office equipment, furniture and fittings | 77,038,007 | 16,245,550 | | | 93,283,557 |
| Specialized Plant & Equipment | 50,748,899 | 4,300,110 | | | 55,049,009 |
| Machinery and Equipment | | | | | 0 |
| Biological assets | | | | | 0 |
| Infrastructure Assets- Roads, Rails | | | | | 0 |
| Heritage and cultural assets | | | | | 0 |
| Intangible assets | | | | | 0 |
| Work in Progress | | | | | 0 |
| Total | 300,386,048 | 45,097,306 | | | 345,483,354 |

Annex 5 – List of Projects implemented by MINISTRY OF DEFENCE

| Ref | Project Name | Principal activity of the project | Accounting Officer | Project consolidated in these financial statements(yes/no) |
|------------|---------------------|--|---------------------------|---|
| 1 | | | | yes/no |
| 2 | | | | yes/no |
| | | | | |
| | | | | |

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Annex 6 – List of SCs, Sagas and Public Funds Under (*Ministry of Defence*)

| Ref | SC, SAGA or Public Fund's name | Amount transferred during the year | Inter- entity reconciliations done?(yes/no) |
|-----|--|------------------------------------|---|
| 1 | Kenya Space Agency | 220,000,000 | Yes |
| 2 | Kenya Shipyard Limited | 250,000,000 | Yes |
| 3 | Kenya Meat Commission | 603,750,000 | Yes |
| 4 | National Defence University | 106,000,000 | Yes |
| 5 | National Security Telecommunication Services | 100,000,000 | Yes |

Annex 7 – Contingent Liabilities Register

| | Nature of contingent liability | Remarks |
|----|---|---------|
| 1 | Court Cases against Ministry of Defence | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |

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Annex 9: Disaster Expenditure Reporting Template

| Column I Programme | Column II Sub-programme | Column III Disaster Type | Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Column V Expenditure item | Column VI Amount (Kshs.) | Column VII Comments |
|-----------------------|----------------------------|-----------------------------|---|------------------------------|-----------------------------|------------------------|
| | | | | | | |
| | | | | | | |

Annex 10- Reports Generated from IFMIS

IFMIS financial reports to be presented on request.

