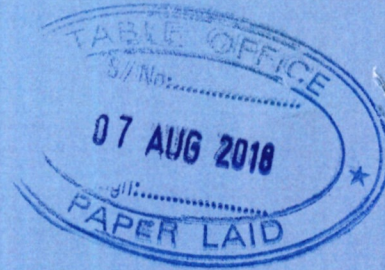


REPUBLIC OF KENYA



*Paper laid by
Leader of Majority
Party
Tuesday 7/8/2018
Agh*

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE NATIONAL TREASURY**

**FOR THE YEAR ENDED
30 JUNE 2017**



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NATIONAL GOVERNMENT ENTITY

THE NATIONAL TREASURY

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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(ii)

I. KEY ENTITY INFORMATION AND MANAGEMENT

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

An institution of excellence in economic and public financial management.

Mission

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

Core Values

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

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.

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- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Management

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

Office of the Principal Secretary

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

Organizational structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

- Budget Department;
- Macro and Fiscal Affairs Department

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Administrative and Support Services (Common Shared Services)

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

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

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(c) Fiduciary Management

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

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, EBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Ag Director General, PDMO	Mr. Jackson Kinyanjui OGW
7.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
10.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Jona Wala
15.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
16.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
17.	Director, National Assets and Liability Management	Mrs Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr Shem Nyakutu
20.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, debt Recording and settlement Department	Mrs Felister Kivisi
23.	Director of Administration	Mr David Oleshege, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Senior Chief Finance Officer	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Momanyi
27.	Director, Human Resource Management and Development	Ms. Susan Mucheru
28.	Ag Director, Information Communication and Technology	Mr. George Kariuki
29.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
30.	Head, Public Communications	Mr. Maina Kigaga
31.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
32.	Head, Government Clearing Agency	Mr. Felix Ateng

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

The National Treasury has a well resourced internal Audit Unit. The unit is charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk based audits. The Unit reports directly to the accounting officers on a regular basis.

Audit Committee

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

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

Senior Management Committee

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

Public Financial Management Sector Working Group

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

Budget Implementation Committee

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

Monitoring and Evaluation

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

(e) The National Treasury Headquarters

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

The National Treasury Contacts

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

(f) The National Treasury Bankers

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

(g) Independent Auditors

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

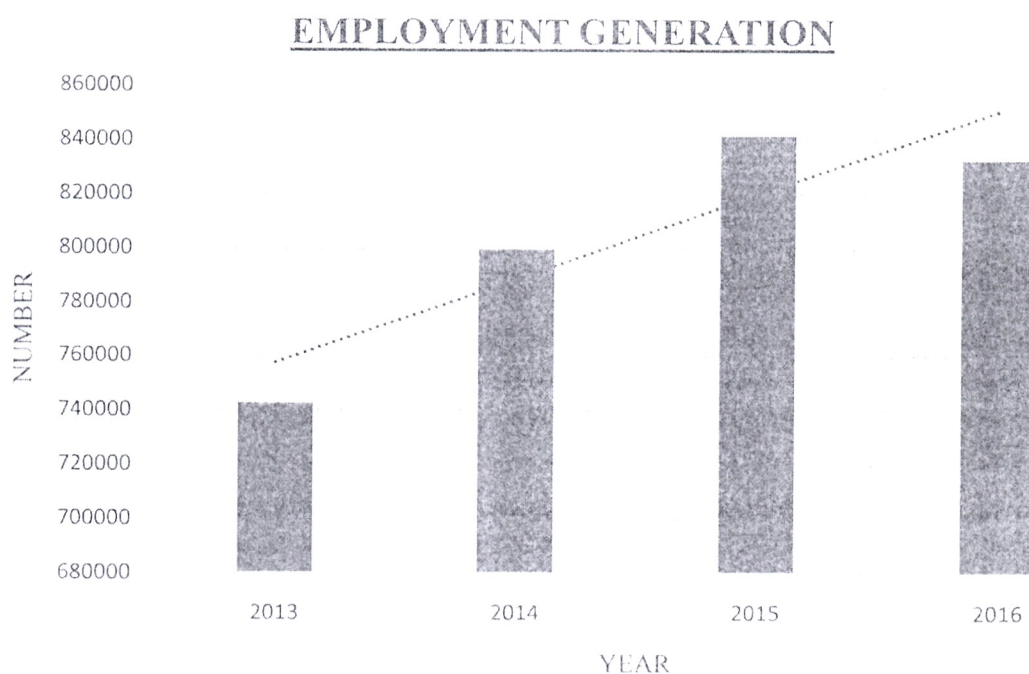
(h) Principal Legal Adviser

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

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.8 per cent in 2016 compared to 5.6 per cent in 2015. This was above the average 1.4 per cent growth rate registered for sub-Saharan Africa. The sectors that registered significant improved performance in economic activities were; accommodation and food services; information and communication; real estate; and transport and storage. Persistent drought hampered growth in the fourth quarter of 2016 impacting negatively on agriculture and electricity supply.

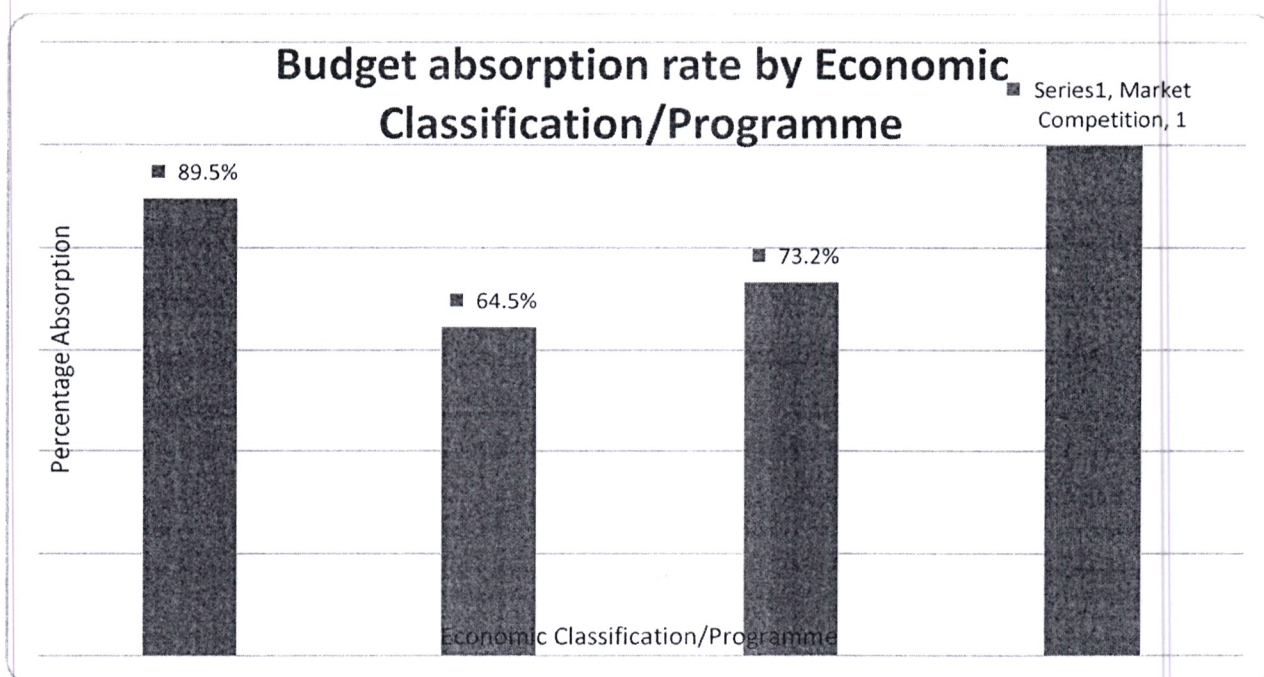
The annual inflation rate was 8.1% in June 2017 compared to 6.5% in the same period in June 2016. This was largely on account of high food prices following adverse weather conditions. The Kenya shilling exchange rate however continued to display relatively less volatility compared to the East African currencies while the official foreign exchange reserves held by the Central Bank grew to **US\$ 8,500 million** (5.7 month of import cover) in June 2017 from **US\$ 8,267 million** (5.4 months of import cover) in the same period in 2016. The economic growth and stable macroeconomic environment led to the creation of 832,900 new jobs in 2016 broken down into 85,600 jobs in the modern sector and 747,300 jobs in the informal sector. Cumulatively, the economy is estimated to have generated 3,217,200 new jobs between 2013-2016 as shown in the bar graph below:-



In terms of budget performance, the National Treasury expenditure stood at **Kshs.35,563,510,599.00** against an approved budget of **Kshs.37,527,564,690.00** in Recurrent while Development expenditure stood at **Kshs.25,182,007,997.00** against an approved budget of **Kshs.36,105,345,657.00** giving an overall absorption rate of 82%. The National Treasury implemented the 2016/17 budget within four economic classification/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and

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Management and Market Competition. As demonstrated in the bar graph below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services (89.5%), Economic and Financial Policy Formulation and Management (73.2%) and Public Financial Management Programme at 64.5%.

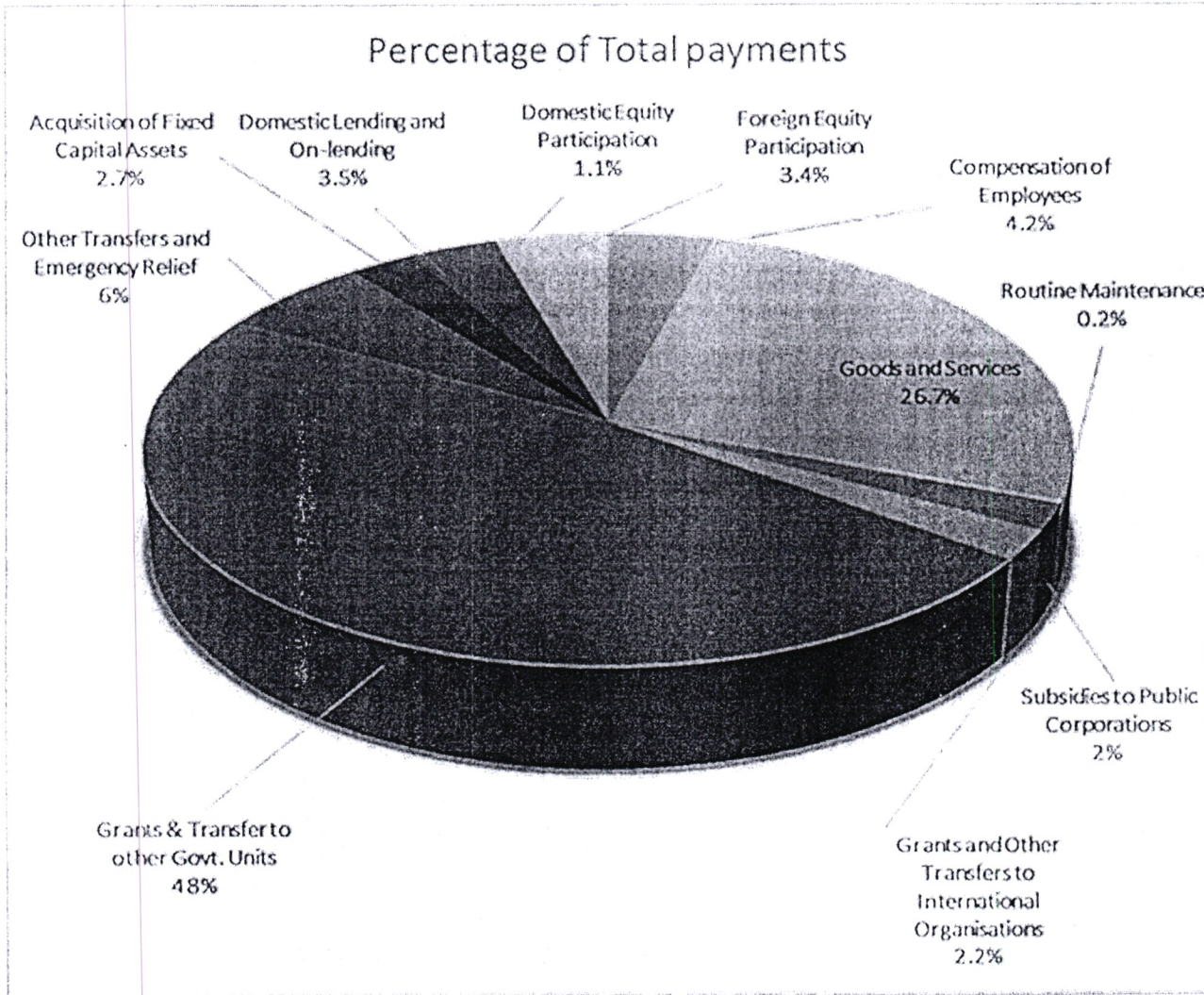


Utilisation of the budget was carried out through various activities as shown in the table below:

	Approved Budget Allocation	Actual Payments	Variance
Payments	KShs	KShs	KShs
Compensation of Employees	2,393,400,581.00	2,173,675,464.00	219,725,117.00
Social Contributions	0.00	0.00	0.00
Goods and Services	29,904,514,504.00	21,673,949,870.00	8,230,564,634.00
Routine Maintenance	121,383,364.00	89,824,691.00	31,558,673
Subsidies to Public Corporations	1,050,000,000.00	1,050,000,000.00	0.00
Grants and Other Transfers to International Organisations	1,283,656,005.00	1,149,842,626.00	133,813,379.00
Grants & Transfer to other Govt. Units	25,247,659,516.00	25,060,191,764.00	187,467,752.00
Other Transfers and Emergency Relief	3,710,329,340.00	3,017,014,022.00	693,315,318
Social Security Benefits	1,805,634.00	0.00	1,805,634.00
Budget contingency Reserve	0.00	0.00	0.00
Acquisition of Fixed Capital Assets	2,649,917,203.00	1,551,230,783.00	1,098,686,420.00
Domestic Lending and On-lending	2,700,000,000	2,597,785,680.00	102,214,320.00
Domestic Equity Participation	600,000,000.00	600,000,000.00	0.00
Foreign Equity Participation	4,075,244,200.00	1,782,536,438.00	2,292,707,762.00
Total Payments	73,632,910,347.00	60,746,051,338.00	12,991,859,009

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Key Performance Highlights (Continued)



Payments

The Ministries payments mainly comprise of Transfers to Other Government entities i.e. Projects, State Corporations, Semi-Autonomous Government Agencies (SAGAs) and employee compensation, subscriptions and acquisition of assets.

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Total Payment Breakdown

	Year to 30 th June 2017	Year to 30 th June 2016	Change	% Change
Payment	KShs	KShs	KShs	
Compensation of Employees	2,173,675,465.00	2,226,957,812.00	(53,282,348.00)	(2.4)
Social Contributions	0.00	0.00	0.00	0
Goods and Services	21,673,949,870.00	20,100,312,348.00	1,573,637,522.00	7.8
Routine Maintenance	89,824,691.10	217,510,677	(127,685,985.00)	(59)
Subsidies to Public Corporations	1,050,000,000.00	0.00	1,050,000,000.00	0
Grants and Other Transfers to International Organisations	1,149,842,626.00	154,303,948.00	995,538,678.00	(645)
Grants & Transfer To Other Govt. Units	25,060,191,764.00	25,363,237,200	(303,045,436.00)	(1.2)
Other Transfers and Emergency Relief	3,017,014,022.00	9,995,466,792.70	(6,978,452,770.00)	(70)
Social Security Benefits	0.00	0.00	0.00	0
Budget Contingency Reserve	0.00	5,000,000,000.00	(5,000,000,000)	(100)
Acquisition of Fixed Capital Assets	1,551,230,783.00	2,592,429,087.00	(1,041,198,304.00)	(44)
Domestic Lending and On-lending	2,597,785,681.00	22,295,715,876	(19,697,930,195.00)	(88.7)
Domestic Equity Participation	600,000,000.00	375,000,000.00	225,000,000.00	60
Foreign Equity Participation	1,782,536,438.00	3,750,304,751.30	(1,967,768,313.00)	(52.4)
Total Payments	60,746,051,339.00	92,071,238,492.00	(31,325,187,151.00)	(34)

The total payments for FY 2016/2017 stood at **Kshs.60,746,051,339** representing an decrease from **Kshs.92,071,238,49.00** for FY 2015/2016.

The decrease in payments is attributable to a significant decrease in Transfers to Other Government entities i.e. Projects, State Corporations, Semi-Autonomous Government Agencies (SAGAs) and contingency reserves. Further, there was also a decrease in compensation of employees attributed to recruitment of staff during staff transferred from the Ministry and retirement.

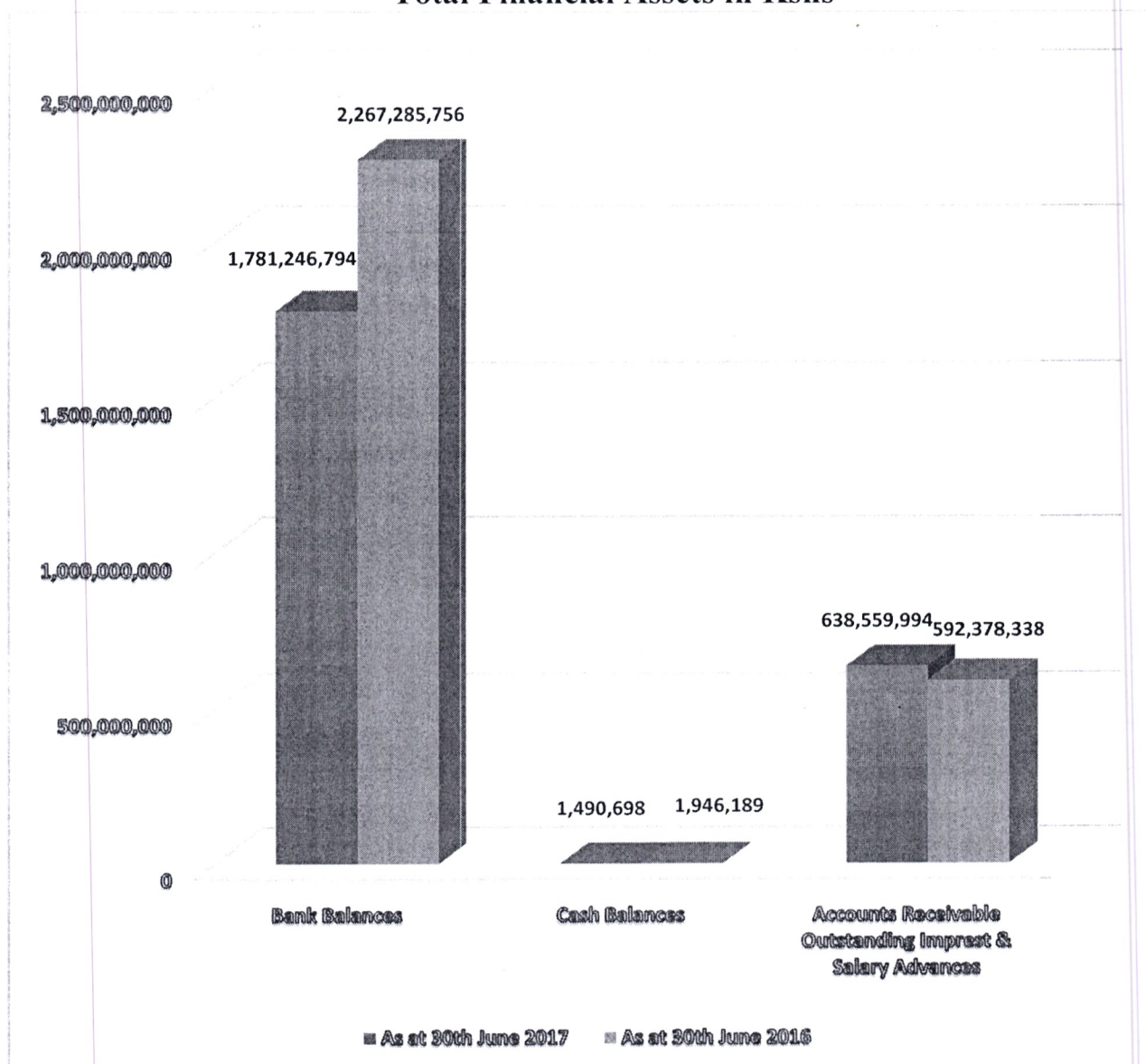
Financial Assets Summary

Financial Assets	As at 30 th June 2017	As at 30 th June 2016	Change	% Change
	KShs	KShs	KShs	
Bank Balances	1,781,246,794	2,267,285,756.00	486,038,962	21.43
Cash Balances	1,490,696.00	1,946,189.00	455,493.00	23.4
Accounts Receivables - Outstanding Imprest & Salary Advances	638,559,994.00	592,378,338.00	-46,181,656.00	(8)
Total Financial Assets	2,421,297,484.00	2,861,610,283.00	440,312,799.00	15

Bank balances decreased by 21.4% as a result of decreased deposits held in our Deposit Bank.

Cash balances declined by 23.4% due to increased cash related transactions at the year-end. There is also a decline in accounts receivables by 8% as a result of prompt accounting for imprest advance by the imprest holders and funds released to projects.

Total Financial Assets in Kshs



Cash Flows and Cash Position

The cash and bank balances held by the Ministry as at 30th June 2017 was **Kshs.1,781,246,794.00** compared to **Kshs.2,267,285,756.00** held as at 30th June 2016. The breakdown of the cash and bank balances is as summarized in the table below.

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The National Treasury continued to implement its mandate of supporting the devolved system of Government. In terms of payments, the County Governments received a total of **Kshs.302.2 billion** in 2016/2017 up from **Kshs.275.1 billion** in 2015/2016. Since their establishment in March 2013, County Governments have received more than **Kshs.1 trillion** from the National Government. The National Treasury submitted to Parliament the Equalization Fund Appropriations bill which has since been enacted and further conducted public participation to identify projects to be implemented under this fund. In addition the National Treasury trained over 800 officers from County Governments on Public Financial Management in 2016/17.

Other key achievements during the period under review are;

- The National Treasury launched the M-Akiba Mobile Platform for issuance of Government Bonds on 23rd March 2017. The special limited offer achieved its **Kshs.150 million** target within 13 days. With 102,632 registrations, this offer demonstrated the appetite and zeal of Kenyans to adopt and use technology to boost their well-being. M-Akiba will enhance a savings culture among Kenyans and promote financial inclusion even to the unbanked population.
- The National Treasury mobilized external resources amounting to **Kshs.292.8 billion** in 2016/17 which was above the fiscal target of **153.0 billion**. This positive variance is mainly attributed to capacitating the economy to mitigate against the drought related challenges that affected the country.
- The National Treasury was able to prepare the 2017/18 budget under a revised tight calendar that took into account the preparations of the 2017 General Elections. In addition, the National Treasury also prepared a Pre- Election Economic and Fiscal Report which was published as provided for in the Constitution.
- In its commitment to deepen the Financial Markets the Ministry finalized the Nairobi International Financial Centre Bill that was subsequently approved by Parliament.
- The National Treasury hosted the 2nd High Level Meeting on Global Partnership on Economic Development Conference in Nairobi from 28th November to 1st December 2016, where ministers and high level representatives of developing and developed countries as well as heads of multilateral and bilateral development agencies committed to effective development cooperation as a means to achieve the universal Sustainable Development Goals (SDGs).

Some of the challenges the National Treasury faced while implementing the 2016/17 budget include:-

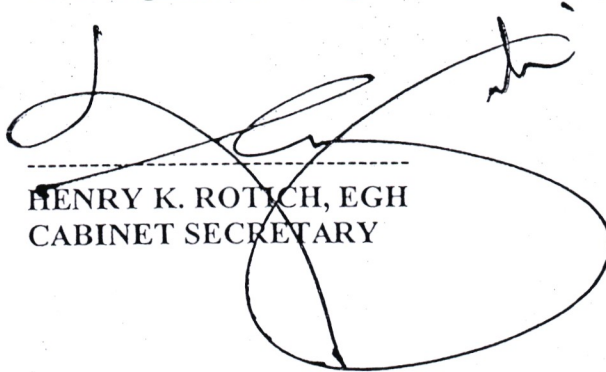
1. Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
2. Inadequate funds to finance all the programmes and projects of the National Treasury.
3. Low absorption of Official Development Assistance (ODA).
4. Slow enactment of relevant regulations and related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

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

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FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)

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

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



HENRY K. ROTICH, EGH
CABINET SECRETARY

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

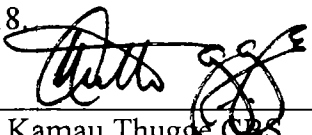
The Accounting Officer in charge of *The National Treasury* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the 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 National Treasury* accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of *The National Treasury* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 10/5
2018.



Dr. Kamau Thugge
PRINCIPAL SECRETARY



George K. Gichuru
Senior Deputy Accountant General
ICPAK Member No:9262

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL TREASURY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The National Treasury set out on pages 16 to 51, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation for the combined recurrent and development votes for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The National Treasury as at June 30, 2017, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

1. Grants and Transfers to Other Government Entities

The statements of receipt and payments and as indicated in Note 15 reflect an expenditure amounting to Kshs. 28,213,478,965 under Grants and Transfers to other Government Units. Examination of ministry records revealed that the amounts constitute both recurrent and capital transfers across different account heads and Items. Out of the balance of Kshs. 28,213,478,965, an amount of Kshs. 167,704,106 is indicated to have been paid to individual persons and companies. It has not been possible to ascertain the propriety of balance of kshs 167,704,106 under grants to other government units.

Report of the Auditor-General on the Financial Statements of The National Treasury for the year ended 30 June 2017

2. Pending Bills

Note 19 to the reports and financial statements on pending accounts payable reflects pending bills amounting to Kshs.80,450,957. However, examination of available records revealed that the above balance includes bills amounting to Kshs.12,170,055 that were rolled over from the financial year 2015/2016. It has not been explained why the amount of Kshs.12,170,055 was not cleared as a first charge during the respective years but continue to be rolled over the years with some dating as far back as year 2011.

Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the provisions of the subsequent year to which they have to be charged.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion and Other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Budget Performance and Control

A review of the statements of comparison between the budget and actual amounts for the year ended 30 June 2017 as drawn from the appropriation accounts revealed that Recurrent Vote R1071 registered a net expenditure of Kshs. 35,563,510,599 compared to a budget provision of Kshs. 37,527,564,690, thereby resulting to an under-expenditure of Kshs. 1,964,054,092 or 5%. The Development Vote D1071 registered a net expenditure of Kshs. 25,182,007,997 compared to a net budgeted provision of Kshs. 36,105,345,657, thereby resulting to an under-expenditure of Kshs.10,923,337,660 or 30%. Although the National Treasury had an overall satisfactory performance, there were individual items which registered dismal performance while others performed exceedingly above their budgeted amounts.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing The National Treasury's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Ministry or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of The National Treasury's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The National Treasury's ability 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 revenue information and business activities of The National Treasury to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

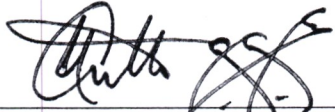
27 June 2018

THE NATIONAL TREASURY
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	7,774,225,484	9,315,871,295
Exchequer releases	2	52,896,474,028	82,396,163,915
Proceeds from Foreign Borrowings	3	702,453,080	235,775,963
Other Receipts	4		180,000,000
TOTAL RECEIPTS		61,373,152,592	92,127,811,172
PAYMENTS			
Compensation of Employees	5	2,173,675,464	2,226,957,812
Use of goods and services	6	21,770,774,561	20,317,823,025
Subsidies	7	1,050,000,000	
Transfers to Other Government Units	8	28,070,205,786	35,358,703,993
Other grants and transfers	9	1,149,842,626	154,303,948
Acquisition of Assets	11	6,531,552,901	29,013,449,714
Other Payments	12		5,000,000,000
TOTAL PAYMENTS		60,746,051,338	92,071,238,493
SURPLUS/DEFICIT		627,101,254	56,572,679

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/5/17 2018 and signed by:



 Dr. Kamau Thugge CBS
 PRINCIPAL SECRETARY



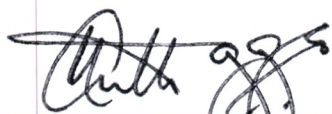
 George K. Gichuru
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 ICPAK Member No:9262

THE NATIONAL TREASURY
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VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	13A	1,781,246,794	2,267,285,756
Cash Balances	13B	1,490,696	1,946,189
Total Cash and cash equivalent		<u>1,782,737,490</u>	<u>2,269,231,945</u>
Accounts receivable	14	638,559,994	592,378,338
TOTAL FINANCIAL ASSETS		<u>2,256,299,280</u>	<u>2,861,610,283</u>
FINANCIAL LIABILITIES			
Account Payables	15	116,333,009	1,078,469,562
NET FINANCIAL ASSETS		<u>2,304,964,475</u>	<u>1,783,140,721</u>
REPRESENTED BY			
Fund balance b/fwd	16	1,783,140,721	3,814,547,134
Surplus/Deficit for the year		627,101,254	56,572,679
Prior year adjustment	17	(105,277,500)	(2,087,979,092)
NET FINANCIAL POSITION		<u>2,304,964,475</u>	<u>1,783,140,721</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/5/2018 and signed by:



Dr. Kamau Thugge CBS
 PRINCIPAL SECRETARY



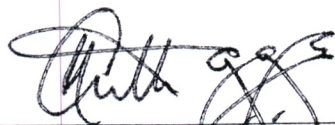
George K. Gichuru
 Senior Deputy Accountant General
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THE NATIONAL TREASURY
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VII. STATEMENT OF CASH FLOWS

	Note	2016-2017 Kshs	2015-2016 Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	7,774,225,484	9,315,871,294
Exchequer Releases	2	52,896,474,028	82,396,163,915
		60,670,699,512	91,712,035,209
Payments for operating expenses			
Compensation of Employees	5	2,173,675,464	2,226,957,812
Use of goods and services	6	21,770,774,561	20,317,823,025
Subsidies	7	1,050,000,000	
Transfers to Other Government Units	8	28,070,205,786	35,358,703,993
Other grants and transfers	9	1,149,842,626	154,303,948
		54,214,498,437	22,699,084,785
Net cash flow from operating activities			
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11	6,531,552,901	29,013,449,715
Net cash flows from Investing Activities		6,531,552,901	29,013,449,715
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	702,453,080	235,775,963
Net cash flow from borrowing activities		702,453,080	235,775,963
NET INCREASE IN CASH AND CASH EQUIVALENT		627,101,254	56,572,680
Cash and cash equivalent at BEGINNING of the year		2,269,231,946	1,367,647,000
Change in Receivables		(46,181,656)	1,854,521,796
Change in Payables		(962,136,553)	1,078,469,562
Prior Year adjustment	17	(105,277,500)	(2,087,979,092)
Cash and cash equivalent at the END of the Year		1,782,737,490	2,269,231,946

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15/5/2018 and signed by:



Dr. Kamau Thugge CBS
 PRINCIPAL SECRETARY



George K. Gichuru
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 ICPAK Member No:9262

Reports and Financial Statements
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III. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Deviation f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants (AIA)	17,982,371,712	(4,185,665,604)	13,796,706,108	7,774,225,484	6,022,480,624	56%
Exchequer releases	63,398,749,688	(4,343,300,696)	59,055,448,992	52,896,474,028	6,158,974,964	90%
Proceeds from Foreign Borrowings	889,856,200	(109,100,953)	780,755,247	702,453,080	78,302,167	90%
Total	82,270,977,600	(8,638,067,253)	73,632,910,347	61,373,152,592	12,259,757,755	83%
PAYMENTS						
Compensation of Employees	2,645,184,395	(251,783,814)	2,393,400,581	2,173,675,464	219,725,117	91%
Use of goods and services	32,424,645,638	(2,398,706,770)	30,025,938,868	21,770,774,561	8,262,123,307	73%
Subsidies	300,000,000	750,000,000	1,050,000,000	1,050,000,000		100%
Transfers to Other Government Units	29,919,739,956	(941,751,100)	28,978,988,856	28,070,205,786	880,783,070	97%
Other grants and transfers	242,456,005	1,041,200,000	1,283,656,005	1,149,842,626	133,813,379	90%
Social Security Benefits	1,501,805,634	(1,500,000,000)	1,805,634		1,805,634	0%
Acquisition of Assets	10,237,136,972	(316,975,569)	9,920,161,403	6,531,552,901	3,388,608,502	64%
Other Payments	5,000,000,000	(5,000,000,000)				0%
Total Payments	82,270,977,600	(8,638,067,253)	73,632,910,347	60,746,051,338	(12,886,859,009)	82%
Surplus/ Deficit				627,101,254		

(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]

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- i. Proceeds from Domestic and Foreign Grants 56%- There were delay in procurement process caused by stringent donor condition
- ii. Use of goods and services 73%- Austerity measures were put in place to reduce the expenditure on hospitality supplies and services.
- iii. Acquisition of Assets 64%- Goods ordered had not been delivered by the closure of the financial 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 1.9.23.) 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 entity financial statements were approved on 10/6/17 2018 and signed by:



Dr. Kamau Thugge
PRINCIPAL SECRETARY



George K. Gichuru
Senior Deputy Accountant General
ICPAK Member No:9262

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IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

		Original Budget a Receipt/Expense Item	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Deviation f=d/c %
RECEIPTS							
Exchequer releases	2	36,740,857,285	786,707,405	37,527,564,690	35,996,000,000	1,531,564,690	96%
Total		36,740,857,285	786,707,405	37,527,564,690	35,996,000,000	1,531,564,690	96%
PAYMENTS							
Compensation of Employees	5	2,561,680,640	(256,061,969)	2,305,618,671	2,112,041,667	193,577,005	92%
Use of goods and services	6	12,502,989,760	2,258,769,374	14,761,709,134	13,294,427,175	1,474,281,959	90%
Interest payments							
Subsidies	7						
Transfers to Other Government Units	8	17,979,234,956	166,000,000	18,145,234,956	18,034,917,299	103,317,657	99%
Other grants and transfers	9	242,456,005		242,456,005	108,642,626	133,813,379	45%
Social Security Benefits	10	1,501,805,634	(1,500,000,000)	1,805,634		1,805,634	
Acquisition of Assets	11	1,952,690,290	118,000,000	2,070,740,290	2,013,481,832	57,258,458	97%
Other Payments	12	5,000,000,000	(5,000,000,000)				
Totals		36,740,857,285	786,707,405	37,527,564,690	35,563,510,599	1,964,054,092	97%
Surplus/Deficit					432,489,401		

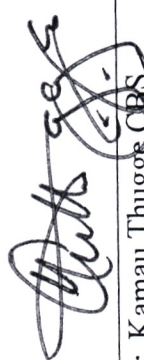
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Notes


- (a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]
- (b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]
- i. **Other Grants and Transfer 45%- Invoices for services rendered was received after the closure of the financial year. This was further aggravated by slow system and network problems towards the end of 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 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 10/6/17 2018 and signed by:



Dr. Kamau Thugge
PRINCIPAL SECRETARY



George K. Gichuru
Senior Deputy Accountant General
ICPAK Member No:9262

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X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Deviation f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants (AIA)	17,982,371,712	(4,185,665,604)	13,796,706,108	7,774,225,484	6,022,480,623	56%
Exchequer releases	26,657,892,403	(5,130,008,101)	21,527,884,302	16,900,474,028	4,627,410,274	79%
Proceeds from Domestic Borrowings	889,856,200	(109,100,953)	780,755,247	702,453,079	78,302,167	90%
Totals	45,530,120,315	(9,424,774,658)	36,105,345,657	25,377,152,591	10,728,193,064	70%
PAYMENTS						
Compensation of Employees	83,503,755	4,278,155	87,781,010	61,633,799	26,148,111	70%
Use of goods and services	19,921,664,878	(4,657,476,144)	15,264,188,734	8,475,814,643	6,788,374,091	56%
Subsidies	300,000,000	750,000,000	1,050,000,000	1,050,000,000		100%
Transfers to Other Government Units	11,940,505,000	(1,127,751,100)	10,812,753,900	10,035,288,487	777,465,413	93%
Other grants and transfers		1,041,200,000	1,041,200,000	1,041,200,000		100%
Acquisition of Assets	8,284,446,862	(435,025,569)	7,849,421,113	4,518,071,068	3,331,350,044	55%
Other Payments	5,000,000,000	(5,000,000,000)				
Totals	45,530,120,315	(9,424,774,658)	36,105,345,657	25,182,007,997	10,923,337,660	70%
Surplus/Deficit				195,144,594		

(a)
(b) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]


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(c) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]

- i. *Proceeds from Domestic and Foreign Grants 56%- There were delay in procurement process caused by stringent donor conditions*
- ii. *Exchequer releases 79%- Due to few invoices received and Austerity measures in place there were few Exchequer requisition*
- iii. *Compensation of Employees 74%- Anticipated filling of all vacant a post in the department following the approval of the structured staff establishment was not achieved.*
- iv. *Use of Goods and services 56%- Austerity measures were put in place to reduce the expenditure on hospitality supplies and services.*

(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 I.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 10/5/2018 and signed by:


Dr. Kamau Thugge
CBS
PRINCIPAL SECRETARY


George K. Gichuru
Senior Deputy Accountant General
ICPAK Member No:9262

THE NATIONAL TREASURY
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XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme (For details See Annex 7 (xi))	Original Budget 2017 Kshs	Adjustments Kshs	Final Budget 2017 Kshs	Actual on comparable basis Date, 2017 Kshs	Budget utilization difference Kshs
Programme 1 General Administration Planning And Support Services	36,876,402,337		36,876,402,337	32,992,062,076	3,884,340,261
Programme 2 Public Financial Management	33,864,353,058		33,864,353,058	25,483,362,521	8,380,990,537
Programme 3 Economic And Financial Policy Formulation And Management	2,503,647,571		2,503,647,571	1,893,408,468	610,239,103
Programme 4 Marketing Competition	340,000,000		340,000,000	340,000,000	0.00
Programme 5 Clearing Agency	48,507,381		48,507,381	37,175,938	11,331,443
Total	73,632,910,347		73,632,91,347	60,746,009,002	12,886,901,345

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

X SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes 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 receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

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

3. Recognition of receipts and payments

a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers from the Exchequer

Transfer from Exchequer is 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 entity.

External Assistance

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

Donations and grants

Grants and donations 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/donation 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.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

SIGNIFICANT ACCOUNTING POLICIES (Continued..)

Use of goods and services

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

Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

4. In-kind contributions

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

5. 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

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 98,634,492.90 compared to Kshs 986,295,195 in prior period as indicated on note 24

There were no other restrictions on cash during the year

6. Accounts Receivable

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

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AII. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amt Foreign Currency	2016-2017	2015-2016
			Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)				
Grants from DANIDA			3,420,000	29,905,588
Global Fund-HIV/AIDS			6,309,081,877	6,959,203,850
Global Fund and -TB			505,177,238	184,703,049
Global Fund and -Malaria			933,213,937	2,109,979,543
Technical Support Programme			23,332,433	32,079,265
Grants Received from Multilateral Donors			7,774,225,484	9,315,871,295

2 EXCHQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	7,967,156,020	4,985,134,165
Total Exchequer Releases for quarter 2	9,838,891,400	15,712,576,015
Total Exchequer Releases for quarter 3	7,157,348,597	39,545,200,000
Total Exchequer Releases for quarter 4	27,933,078,011	22,653,253,735
Total	52,896,474,028	82,396,163,915

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM FOREIGN BORROWINGS

	2016-2017	2015-2016
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer		
Foreign Borrowing - Direct Payments	702,453,080	235,776,963
Foreign Currency and Foreign Deposits		
Total	702,453,080	235,776,963

4 OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Other Receipts Not Classified Elsewhere(Annex XIX)	N/A	180,000,000
Total		180,000,000

5 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	1,345,997,336	1,325,633,058
Basic wages of temporary employees	143,776,966	273,001,553
Personal allowances paid as part of salary	683,901,162	628,323,201
Total	2,173,675,464	2,226,957,812

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6 USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	132,186,166	155,948,440
Communication, supplies and services	59,146,954	60,924,583
Domestic travel and subsistence	104,850,944	73,132,289
Foreign travel and subsistence	91,349,140	80,840,657
Printing, advertising and information supplies & services	1,990,044	9,997,128
Rentals of produced assets	40,676,125	20,113,950
Training expenses	155,364,565	87,625,613
Hospitality supplies and services	398,007,376	485,256,436
Insurance costs	1,072,725,926	1,243,163,172
Specialized materials and services	7,458,489,316	8,793,516,512
Office and general supplies and services	107,797,594	85,927,262
Other operating expenses	12,031,669,830	8,981,231,224
Routine maintenance – vehicles and other transport equipment	42,652,814	46,265,928
Routine maintenance – other assets	47,137,096	171,244,749
Exchange Rate Losses		
Fuel,oil and lubricants0000000000000	26,730,673	22,635,082
Total	21,770,774,561	20,317,823,025

7 SUBSIDIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Subsidies to Public Corporations		
<i>Agricultural Finance Corporation</i>	500,000,000	
<i>Agricultural Finance Corporation</i>	300,000,000	
<i>Agricultural Finance Corporation</i>	250,000,000	
Total	1,050,000,000	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	28,070,205,786	35,358,703,993
See attached list		
TOTAL	28,070,205,786	35,358,703,993

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

Description	Recurrent	Development	Total	2015-2016
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Revenue Authority	15,458,008,759	574,500,000	16,032,508,759	16,622,909,446
Kenya Revenue Authority(VAT)				7,091,841,894
Kenya Trade Network(334,000,000	300,000,000.	634,000,000	472,400,000
Current Grants to Government Agencies				
Accountant General	1,271,200		1,271,200	
Competition Authority of Kenya	340,000,000		340,000,000	394,460,000
Registration of Certified Public Sec. Board				1,271,200
Pension Department	319,944,478		319,944,478	
Financial Report centre (Central Bank of Kenya)	387,543,843		387,543,843	50,934,493
Unclaimed asset Authority	170,000,000	50,000,000	220,000,000	220,000,000
Public Private			137,608,995	

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Secretariat				
Public Procurement Oversight Authority	360,000,000	60,000,000	420,000,000	414200000
Ministry of Foreign Affairs		5,000,000	5,000,000	5.672.625
Kenya Investment Authority		13,000,000	13,000,000	6,900,000
Kenya Institute of Supplies Management	30,000,000	40,000,000	70,000,000	52,500,000
State Department Fisheries		6,000,000	6,000,000	
Equalization Fund		6,000,000,000	6,000,000,000	6,000,000,000
Kenya Technical Support & Capacity Building				300,000,000
Kenya Association of Manufacturer		10,000,000	10,000,000	5,000,000
Kenya Plant Health		10,000,000	10,000,000	5,000,000
Privatization Commission	220,000,000		220,000,000	220,000,000
Kenya Bureau of Standards		12,000,000	12,000,000	7,454,000
Public Financial Management		473,584,715	473,584,715	105,000,000
Global Fund		2,261,635,144	2,261,635,144	2,024,729,612
Health Sector Support Programme		27,408,480	27,408,480	
Asian Officers Family Pension Fund				120,000,000
Institute of Internal Auditors Kenya				27,794,801
Attorney General				74,855,269
Kenya Reinsurance Corporation				61,311

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Kenya Institute of Management				92,800
Eastern Southern Africa Management Institute	11,589,000		11,589,000	285,600
Regional Integration, implementation program		44,301,243	44,301,243	
Central Bank of Kenya(refund)				26,195,556
Programme for rural outreach for financial innovation		20,000,000	20,000,000	12,500,000
Kenya School of Government				13,422,360
Telkom Kenya Limited				16,762,000
Danida Support for Health Staff				22,164,374
ICPSK Champion of Governance Award				1,000,000
Support to Public Financial Management				592,724,332
KEPTAP		48,349,905	48,349,905	33,242,281
Pan African paper Mills	74,575,440		74,575,440	
African Institute for Remittance	72,955,014		72,955,014	
African Trade Insurance Agency	8,472,916		8,472,916	
Public Sector Accounting Standard Board	103,127,659		103,127,659	
Department of Agriculture		5,000,000	5,000,000	278,735,568
Kenya National Bureau of Statistic		3,000,000	3,000,000	
Jomo Kenyatta University	5,828,996		5,828,996	310,000
Competition Authority of		14,000,000	14,000,000	

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Kenya				
State Law Office		3,000,000	3,000,000	
Dept of East Africa Affairs		5,000,000	5,000,000	
Kenya Revenue Authority		5,000,000	5,000,000	
Department of Transport		24,500,000	24,500,000	
Department of Trade		5,000,000	5,000,000	
National Environment Management Authority		15,000,000	15,000,000	
TOTAL	18,034,926,300	10,035,279,487	28,070,205,787	35,358,703,993

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement. (**Annex XVIII (a-d)**)

9 OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations		154,303,948
African Capacity Building Foundation	41,200,000	
Shelter Afrique	1,000,000,000	
United Nations Development Fund	20,059,268	
Common Wealth	45,094,633	
ESAAMLG	6,946,725	
African Economic Research Consortium	36,542,000	
Total	1,149,842,626	154,303,948

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2016-2017	2015-2016
	Kshs	Kshs
Construction of Buildings	83,088,238	222,005,694
Refurbishment of Buildings	274,168,513	77,111,655
Construction and Civil Works		4,342,658
Overhaul and Refurbishment of Construction and Civil Works	20,080,750	98,404,460
Overhaul of Vehicles and Other Transport Equipment	99,542,550	
Purchase of Household Furniture and Institutional Equipment	252,400	
Purchase of Office Furniture and General Equipment	140,566,533	146,456,022
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialized Plant, Equipment and Machinery	252,377,378	1,188,219,166
Research, Studies, Project Preparation, Design & Supervision	681,154,420	855,885,434
Sub-total	1,551,230,782	2,592,425,089
<u>Financial Assets</u>		
Domestic Public Non-Financial Enterprises	2,597,785,681	22,295,719 .874
Domestic Public Financial Institutions	600,000,000	375,000,000
Foreign financial Institutions operating Abroad	1,782,536,438	3,750,304,751
Sub-total	4,980,322,119	26,420,811,962
Total	6,531,552,901	29,013,449,714

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12 OTHER EXPENSES

	2016-2017	2015-2016
	Kshs	Kshs
Budget Reserves	NIL	
Civil Contingency Reserves	NIL	
Other expenses	NIL	5,000,000,000
Total	NIL	5,000,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate if in foreign currency	2016-2017	2015-2016
				Kshs	Kshs
MINISTRY OF FINANCE OLD A/C		Recurrent		309,116,798	309,116,798
NATIONAL TREASURY (Annex xii)		Recurrent		219,493,671	49,833,997
MINISTRY OF FINANCE OLD A/C		Development		10,677,332	10,677,332
NATIONAL TREASURY(Annex xiib)		Development		266,991,907	23,330,650
MINISTRY OF FINANCE OLD A/C		Deposit		677,758,270	677,758,270
NATIONAL TREASURY(Annex xiic)		Deposit		297,208,815	1,196,568,709
Total	-			1,781,246,794	2,267,285,756

13: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
CASH BOOK RECURRENT	1,490,696	1,782,617
CASH BOOK OLD/AC DEPOSIT		163,582
Total	1,490,696	1,946,199

Cash in hand should also be analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Location 1 National Treasury Cash Office	1,490,696	1,946,199
Total	1,490,696	1,946,199

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14: ACCOUNTS RECEIVABLE

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Advance to MDAs and Projects (Annex viii)	637,937,358	589,199,803
Government Imprests (Annex ix)	65,256	1,661,283
Salary advances (Annex x)	393,843	1,105,090
District suspense (Annex xi)	163,537	412,162
Total	638,559,994	592,378,338

15. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits (Annex XIV)	98,634,493	986,295,198
Recurrent (Annex XV)	10,601,866	11,874,364
Development(Annex XVI)	7,096,650	80,300,000
Total	116,333,009	1,078,469,562

[Provide short appropriate explanations as necessary]

16. FUND BALANCE BROUGHT FORWARD

Description	2015-2016	2014-2015
	Kshs	Kshs
Bank accounts	2,267,285,756	1,365,176,422
Cash in hand	1,946,189	2,470,578
Accounts Receivables	592,378,338	2,446,900,134
Accounts Payables	(1,078,469,562)	-
Total	1,783,140,721	3,814,547,134

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on receivables (Annex xviii)	105,277,500	2,087,979,092
TOTALS	105,277,500	2,087,979,092

18. RELATED PARTY DISCLOSURES

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

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

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

Related party transactions:

	2016/2017	2015/2016
	Kshs	Kshs
Key Management compensation	2,173,675,464	2,226,957,812
	=====	=====
Transfers to the Other Ministries Departments and Agencies		
	28,070,205,786	35,358,703,993
Transfers to other State Corporations and Semi-Autonomous Government Agencies		
Transfers to Government Development Projects	17,616,873,234	18,723,351,131
Transfers from other Ministries Departments and Agencies		
	52,896,474,028	82,396,163,915
	=====	=====

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19. OTHER IMPORTANT DISCLOSURES

: PENDING ACCOUNTS PAYABLE (See Annex 1)

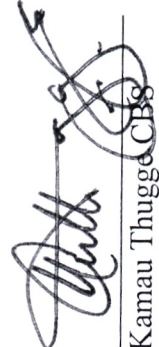
Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of buildings		
Construction of civil works		
Supply of goods		
Supply of services Annex 1	80,450,956.55	

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20. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2015/2016	1. Pending bills amounting to ksh. 1,420,834,713	Was due to late submission of Invoice Paid in FY 2016/2017	George K. Gichuru Senior Deputy Accountant General	Resolved	
2015/2016	2. Outstanding Imprest of ksh. 1,661,284	Imprest Accounted for	George K. Gichuru Senior Deputy Accountant General	Resolved	
2015/2016	3. Outstanding items in Bank Reconciliations	Most of the items were for 30 th June 2016 and have since been cleared.	George K. Gichuru Senior Deputy Accountant General	Resolved.	


Dr. Kamau Thugga
PRINCIPAL SECRETARY



George K. Gichuru
Senior Deputy Accountant General
ICPAK Member No:9262

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Payee / Supplier Supply of Services	Invoice Date	Amount Outstanding (Ksh.)	Reasons For Non-Payment
OUTSTANDING PENDING BILLS FOR 2015/16 AND EARLIER YEARS			
Kenya School of Monetary Studies	Various	1,287,600.00	Original Invoice & other documents misplaced
M/s Alexander Forbes	4/7/2016	457,088.00	LSO dated 27/5/2016 delayed in the procurement process
M/s CMC Motors Group Ltd	6/16/2016	95,830.00	Invoice not committed - yet approved on 18/8/2016
M/s Conference Caterers	Various	1,951,991.40	Outside Catering Services - Missing supporting requisitions
M/s Holiday Cars & Tours Ltd	Various	73,120.00	PV processed up to AIE Holder on 23/3/2017
M/s Jepco Services & Renovators	6/14/2016	34,982.22	Claim for June 2016 received on 5/1/2017 procurement division
M/s Kenya Pipeline Co. Ltd	10/17/2015	192,861.80	LSO dated 9/11/2015 - delayed in the procurement process
Kenya School of Government	Various	399,040.00	LSO Dated 14/8/2015 - delayed in the procurement process
M/s Nairobi Serena Hotel	6/19/2016	376,404.00	Original Invoice & other documents misplaced
M/s TIN TIN Restaurant	Various	6,189,251.00	Outside Catering Services - Missing supporting requisitions
M/s Toyota Kenya Ltd	6/30/2016	78,037.00	Invoice not yet committed since 01/03/2017
M/s Ventura Aviation Ltd	3/21/2016	690,100.00	LSO dated 15/4/2016 delayed in the procurement process
Moredat Traing & Conference C.	5/3/2016	343,750.00	LSO dated 11/5/2016 delayed in the procurement process
Sub Total		12,170,055.42	
OUTSTANDING PENDING BILLS FOR 2016/17 FINANCIAL YEAR			
M/ Medot Enterprises	6/30/2017	769,500.00	Delivery Note & Invoice dated 30/6/2017
M/ s Consulting Ltd	6/7/2017	10,228,068.00	Invoice received main registry on 8/6/2017
M/ s Elevators General Services Ltd	5/26/2017	355,000.60	Invoice not committed - approved on 23/6/2017
M/ s Josline San Technologies	6/30/2017	703,400.00	Delivery Note dated 28/6/2017 & Invoice 30/6/2017
M/s Tsusho Capital K Ltd	6/15/2017	19,205,753.40	Claim received on 15/6/2017 payment due on 15/7/2017
M/s Attic Tours & Travel Ltd	6/26/2017	84,520.00	Invoice received on 28/6/2017 but not yet committed
M/s BABS Security Services Ltd	6/6/2017	492,000.00	Invoice not committed
M/s Bergh Internationale	6/30/2017	228,000.00	Delivery Note & Invoice dated 30/6/2017
M/s CMC Motors Group Ltd	3/28/2017	214,749.75	Invoice not attached - approved on 14/3/2017
M/s Conference Caterers	3/30/2017	658,322.00	Outside Catering Services - Missing supporting requisitions
M/s Crown Furniture Ltd	6/30/2017	1,896,000.00	Delivery Note dated 27/6/2017 & Invoice 30/6/2017
M/s Dairy Training Institute	6/8/2017	231,000.00	PV No. 13362 Processed up to AIE Holder level on 21/6/2017
M/s DT Dobie	5/31/2017	267,697.78	Invoice not committed

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M/s Electroserve Ltd	5/22/2017	952,302.60	Claim received on 27/6/2017 by procurement division
M/s Fountain Gate Logistics Ltd	6/30/2017	387,750.00	Delivery Note & Invoice of goods dated 30/6/2017
M/s Fridjo Enterprises Ltd	6/30/2017	94,900.00	Delivery Note & Invoice of goods dated 30/6/2017
M/s Golf Hotel Kakamega	12/5/2016	82,894.30	Invoice has a balance b/f which is not yet sorted out
M/s Hilton Nairobi Ltd	6/27/2017	152,000.00	LSO dated 28/6/2017 - delayed in the payment process
M/s Holiday Cars & Tours Ltd	9/30/2016	70,800.00	PV processed up to AIE Holder on 13/6/2017
M/s Jepco Services & Renovators	1/30/2017	174,911.10	Claim for Dec. 2016 received on 5/1/2017 procurement division
M/s Kenya Institute of Curriculum Dev.	11/23/2016	464,000.00	PV processed up to AIE Holder level on 30/3/2017
M/s Kenya National Assembly	3/30/2017	1,457,270.00	LSO dated 26/3/17 delayed in the payment process
M/s Kenya Safari Lodges & Hotels	9/1/2016	6,100,000.00	LSO dated 14/9/2016 delayed in the payment process
M/s Kenya School of Government	5/27/2017	787,260.00	Invoice not yet committed
M/s Kenya Wildlife Service	6/23/2017	674,998.20	Conference Facilities at Naivasha - Invoice Submitted late
M/s Lake Naivasha Simba Lodge	5/26/2017	790,000.00	LSO Dated 21/5/2017 - delayed in the procurement process
M/s Masada Hotel	10/16/2016	350,000.00	LSO Dated 9/12/2016 - delayed in the procurement process
M/s MFI Document Solutions	9/9/2016	672,932.00	LSO dated 7/9/2016 delayed in the procurement process
M/s Morven Kester EA Ltd	6/30/2017	500,000.00	Delivery Note & Invoice of goods dated 10/6/2017
M/s Musart Agencies	6/30/2017	620,850.00	Delivery Note & Invoice of goods dated 30/6/2017
M/s Mwireri Maintainers	4/3/2017	89,870.00	PV No.10363 processed up to AIE Holder level on 19/4/2017
M/s Nairobi Serena Hotel	4/21/2017	323,355.60	Invoice received on 19/6/17 Financial & Sectoral Affairs not committed
M/s New Spring Investment	6/30/2017	225,000.00	Delivery Note & Invoice dated 30/6/2017
M/s Pienah East Africa	6/30/2017	264,600.00	Delivery Note & Invoice dated 30/6/2017
M/s Rahim Auto Technologies	6/28/2017	162,104.00	Invoice received IAG registry on 11/7/2017
M/s Resjos Enterprises Ltd	6/30/2017	6,088,445.60	PV prepared but not processed due to closure of FY.
M/s SACCO Societies Reg. Authority	2/7/2017	206,000.00	PV No. 8445 - processed up to AIE Holder Level on 23/2/2017
M/s Sarova Whitesands Beach Resort	3/5/2017	1,257,836.00	PV processed up to AIE Holder level on 19/5/2017
M/s Sekon Enterprises	6/30/2017	125,500.00	Delivery Note & Invoice dated 30/6/2017
M/s Sherri Enterprises	6/30/2017	1,124,200.00	Delivery Note & Invoice of goods dated 30/6/2017
M/s Teflorach Company Ltd	6/28/2017	424,000.00	Delivery Note & Invoice of goods dated 28/6/2017
M/s The Copy Cat Ltd	8/25/2016	407,647.20	LSO dated 29/8/2016 delayed in the procurement process
M/s Tin-Tin Restaurant Ltd	6/29/2017	1,358,800.00	Outside Catering Services - invoice submitted late
M/s Toyota Kenya Ltd	6/8/2017	6,556,663.00	Claim received on 30/6/2017 by Transport Officer Director of CID
Sub - Total		68,280,901.13	
Grand - Total		80,450,956.55	

ANNEX 2: NB// There were no Pending Staff Payables

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities		45,864,328			45,864,328		
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties		70,468,681			70,468,681		
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total		116,333009			116,333009		

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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
NON-FINANCIAL ASSETS				
Buildings and structures	222,005,694	83,088,238		305,093,932
Transport equipment		99,542,550		99,542,550
Office equipment, furniture and fittings	146,456,022	140,566,533		287,022,555
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment	1,188,219,166	252,377,378		1,440,596,544
Heritage and cultural assets				
Intangible assets				
Sub-Total	1,556,680,882	575,574,691		2,134,169,637
FINANCIAL ASSETS				
Domestic equity participation	375,000,000	600,000,000		975,000,000
Foreign equity participation	3,750,304,751	1,782,536,438		5,552,841,189
Domestic Lending and on Lending	22,295,507,211	2,597,785,681		24,893,292,892
Sub-total	26,420,811,962	4,980,322,119		31,401,134,081
Total	27,977,492,844	5,555,896,810		33,533,389,062

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Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Total				

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

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

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
	Aid Effectiveness	Expand care and treatment services to reach universal access by 2013.	Principal Secretary	Prepared their accounts
	Global Fund	Control of Mobility and Mortality attributable to Malaria in the epidemiological zones	Principal Secretary	Prepared their accounts
	KEPTAP	To strengthen the capacity of GOK to manage its Petroleum Sector and Wealth for sustainable Developments Impacts	Principal Secretary	Prepared their accounts
	Micro Finance	Promote the Financial deepening in the Banking Sector in order to ensure access to credit by the non banking population of Kenya.	Principal Secretary	Prepared their accounts
	Infrastructure FPP Project	To increase Private Investment in the Kenya infrastructure market	Principal Secretary	Prepared their accounts
	Financial sector support project	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access to and provision of affordable and long-term financing	Principal Secretary	Prepared their accounts
	Technical Support Programme	Financing of feasibility studies for project to be financed by AFD	Principal Secretary	Prepared their accounts

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ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (The National Treasury)

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Kenya Revenue Authority	Revenue Collection		16,032,508,756	N/A
2	Competition Authority of Kenya	To control monopoly power and dominance in the specific market		340,000,000	
3	Unclaimed Asset Authority	Management of Unclaimed financial Assets		220,000,00	
4	Pension fund	Managing pension fund		319,944,478	
5	Public procurement oversight Authority	Regulatory role on public procurement		420,000.000	
6	Kenya inst. Supplies management	Conducting training for Supplies officers		70,000,000	
7	Kenya Trade Network			634,000,000	
8	Privatization Commission	Regulatory body		220,000,000	

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ANNEX VII

ANNEX 7 REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. Budget Execution by Programmes and Sub-programme

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