

REPUBLIC OF KENYA



Enhancing Accountability

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PAPERS LAID

REPORT

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CLERK-AT
THE-TABLE:

Hon. Naomi Wago
Deputy Majority Whip
Mado Mihiam

THE AUDITOR-GENERAL

ON

PUBLIC FINANCIAL MANAGEMENT REFORMS
PROGRAM (CREDIT NOS. DANIDA/FY06,
SIDA 51110081, IDA GESDeK-7438-KE,
AFD/CKE 1130, PASEDE CRIS NO:041-658 AND
UNICEF CPD KENYA)

FOR THE YEAR ENDED
30 JUNE, 2025

THE NATIONAL TREASURY



**The National Treasury
& Economic Planning**
The National Treasury



MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



PROJECT NAME: Public Financial Management Reforms Programme

IMPLEMENTING ENTITY: Public Financial Management Reforms Secretariat

**PROJECT GRANT/CREDIT NUMBER: DANIDA/FY06/SIDA/51110081/GESDeK -7438 -
KE/AFD/CKE 1130 PASEDE CRIS NO: 041-658/UNICEF CPD KENYA-PFMR
PROJECT E/ICEF/2022/P/L.16**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting
Method under the International Public Sector Accounting Standards (IPSAS)**



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Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Table Contents	Page
1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xiv
4. Environmental and Sustainability Reporting	xxiv
5. Statement of Project Management Responsibilities	xxv
6. Report of the Independent Auditor on Financial Statements for Public Financial Management Reforms Secretariat	xxvii
7. Statement of Financial Performance for the Year Ended 30th June 2025.	1
8. Statement of Financial Position as at 30 th June 2025	2
9. Statement of Changes in Net Assets	3
10. Statement of Cashflow for the year ended 30 th June 2025	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2025	5
12. Notes to the Financial Statements	7
13. Annexes	31

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
DANIDA	Danish International Development Assistance
GESDeK	Governance for enabling Service Delivery and Public Investment in Kenya
AFD	Agence Francaise Development
PASEDE	Public Accountability and Service Delivery
PIM	Public Investment Management
CRA	Commission on Revenue Allocation
DPSRM	Debt Policy, Strategy & Risk Management
GDP	Government Digital Payments
GIPE	Government Investment and Public Enterprise
IAD	Internal Audit Department
IFMIS	Integrated Financial management information system
IGFRD	Inter-governmental fiscal relations Department
ISC	Inspectorate of State Corporations
IGRTC	Inter-governmental Relations Technical committee
SCAC	State Corporations Advisory Committee
KISM	Kenya Institute of Supplies management
KRA	Kenya Revenue Authority
KHHRAC	Kenya Health Human Resource Advisory Council
MoPSYG	Ministry of Public Service, Youth & Gender
NALM	National Asset and Liabilities Management
OCOB	Office of Controller of Budget
PPD	Public Procurement Department
PPP	Public –Private Partnership
PPRA	Public Procurement Regulatory Authority
PSC	Public Service Commission
PSPMU	Public Service Performance monitoring unit
SDP	State Department of Planning
SRC	Salaries and Remuneration Commission
SDSP &SCA	State Department for Social Protection and Senior Citizen Affairs
TSC	Teacher’s Service Commission
TSA	Treasury Single Account
UNICEF	United Nations Children’s Fund

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is **Public Financial Management Reforms Programme.**

Objective

The key objective of the project is to strengthen public financial management systems to enhance transparency, accountability and responsiveness of expenditure to policy priorities and improved service delivery.

Address

The project headquarters offices are in Bima House Harambee Avenue 8th Floor Nairobi County, Kenya.

The address of its registered office is:

Public Financial Management Reforms Secretariat,
The National Treasury,
P.O Box 30007-00100
Nairobi
Kenya.

Contacts: The following are the project contacts

Telephone: (+254) 020 252299

E-mail: pfmsecretariat@pfmr.go.ke

Website: www.pfmr.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is SIDA1/7/2014 PASEDE 30/01/2019 /GESDeK II 07/02/2024 and UNICEF CPD KENYA PFMR PROJECT E/ICEF/2022/P/L.16 19/11/2024
Project End Date:	The project end date is 31/12/2028
Project Coordinator:	Mr. Joel K Bett
Project Development Partner:	The project sponsors are Government of Kenya (GoK), The Government of Sweden, GESDeK (IDA) PASEDE Programs Under GoK and UNICEF

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under the supervision of The National Treasury.
Project number	DANIDA/FY06/SIDA/51110081 /GESDeK -7438-KE / PASEDE CRIS NO:041-658/UNICEF CPD KENYA-PFMR PROJECT E/ICEF/2022/P/L.16
Strategic goals of the project	The strategic goals of the project are as follows: ❖ To provide a public financial system that promotes transparency, accountability, equity, fiscal discipline and efficiency in management and use of public resources for improved service delivery and economic development. ❖ To provide a political system that is issue based, people centred, result oriented and accountable to the public.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Prioritized Public Investments Formation of PIM unit and its guidelines (ii) Reliability of funding for service delivery UAT of cash management and exchequer systems (iii) Procurement Review of E-procurement strategy and road map with support from KADP, Amendment of the PPAD Act 2015, agreement stand alone (iv) Consolidating HR data

***Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025***

	Payroll and HR data consolidation Payroll interface with IFMIS in progress (v) Financial statements and external audit Consolidation of financial statements and review of quality FS done (vi) New Audit methodology and checklist for compliance and manuals agreed and applied to MDAs (vii) Timely submission of reports to Parliament
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: ❖ Strengthen Public Financial Management systems to enhance transparency and accountability ❖ Responsiveness of expenditure to policy priorities
Project duration	The Programme started on 1st August 2006 and the projects are expected to run until December 2028

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

(i) Special Deposit Accounts

Barclays Bank of Kenya

Account Name: CBK/GoK PUFFINMTRFM FY06-06

P.O. Box 3247-00100

Nairobi.

(ii) Local Project Accounts

Kenya Commercial Bank

Account Name: Public Financial Management Reforms Secretariat

KICC Branch

P.O. Box 46950-00100

Nairobi, Kenya

(iii) Kenya Commercial Bank

Account Name: UNICEF Country Programme-PFMR Project

KICC Branch

P.O. Box 46950-00100

Nairobi, Kenya

2.5 Independent Auditor

The project is audited by the
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O Box 30084 Nairobi, Kenya

2.6 Roles and Responsibilities

Names and Contact details	Title Designation	Key qualification	Responsibilities
 Joel Bett jkbett@pfmt.go.ke	Programme Coordinator	• Master of Arts (MA) in Economics • Bachelor of Arts (Economics) • Member of the Economist Society of Kenya • Experienced in Programme Coordination and Management within the Public Sector • Skilled in Economic Policy Analysis and Strategic Planning • Proficient in Stakeholder Engagement and Project Implementation	Coordination of the day to day activities of the Program.
 CPA.Rael C. Limolel Rael.cherotich@pfmt.go.ke	Programme Manager	• Master of Business Administration (MBA) in Financial Management • Bachelor of Business Management (BBM) in Finance and Banking • Certified Public Accountant of Kenya (CPA-K) • Member of the Institute of Certified Public Accountants of Kenya (ICPAK)	Management of the technical functions of the Program.

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Names and Contact details	Title Designation	Key qualification	Responsibilities
 CPA. Linah K. Mwau <u>Linahmwau@pfmt.go.ke</u>	Financial Specialist	• Master of Science (MSc) in Finance & Investments • Bachelor of Commerce (B.COM) • Certified Public Accountant of Kenya (CPA-K) • Member of the Institute of Certified Public Accountants of Kenya (ICPAK) • Member of the Information Systems Audit and Control Association (ISACA)	Management of the Finance functions of the Program.
 Jacob K. Muimi, CISA, CISM <u>Jacob.muimi@pfmt.go.ke</u>	ICT Specialist	• Master of Business Administration (MBA) in Cybersecurity/Artificial Intelligence • Bachelor of Business Information Technology (BBIT) • Certified Information Systems Auditor (CISA) • Certified Information Security Manager (CISM) • Project Management Professional (PMP) • Member of the Project Management Institute (PMI) • Member of the Information Systems Audit and Control Association (ISACA) • Member of the Association of Computing Practitioners of Kenya (ACPK)	Responsible for the management of the project information management system

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Names and Contact details	Title Designation	Key qualification	Responsibilities
 Regina Jepkemboi Tangwar <u>regina.jepkemboi@gmail.com</u>	Communication Specialist	Master of Arts Corporate Communication (Ongoing) Bachelor of Arts Degree in Communications (Public Relations) Diploma in Entrepreneurship and Business Management Certificate in Business Management	Responsible for management and dissemination of project information
 Sabdio Mamo Hachu <u>mamo.sabdio@pfmt.go.ke</u>	Assistant Procurement Specialist II	• Master of Science (MSc) in Procurement and Logistics • Bachelor of Commerce (B.Com) in Finance • Member of the Kenya Institute of Supplies Management (KISM) • Certified Member of the Chartered Institute of Procurement & Supply (CIPS) • Affiliate Member of the Association of Chartered Certified Accountants (ACCA) Member of the Chartered Institute of Purchasing & Supply (CIPS)	Responsible for Procurement function

2.7 Funding summary

The Project is for a duration of 5 years from 2024 to 2028 with an approved budget of US\$ 65 Million equivalent to Kshs 7 Billion as highlighted in the table below:

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Names and Contact details	Title Designation	Key qualification	Responsibilities
 Baldwin Anyiga baldwinanyiga@gmail.com	M&E Specialist	Master of Arts in Economics Bachelor of Economics and Statistics Member of the Economist Society of Kenya	Overall monitoring of the physical progress and advising when the actual progress deviates from the planned.
 Judie Moraa Chache chachejudie9@gmail.com	HR Specialist	Master of Commerce in Management Bachelor of Commerce in Management Bachelor of Arts in Human Resource Management Higher Diploma in Human Resource Management Certificate in Entrepreneurship Certificate in Counselling A Member of the Institute of Human Resource Management.	Responsible for HR Administrative function

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Donor currency DKK/SEK	Kshs	Donor currency Kshs	Kshs	Donor currency DKK/SEK	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
DANIDA	-	701,031,643		701,031,643	-	-
SIDA	-	630,000,000		352,953,360	-	84,681,197
(ii) Counterpart funds						
Government of Kenya	-	5,072,539,923		5,072,539,923		
Miscellaneous Receipts	-	-		192,365,442		
Total		<u>6,403,571,566</u>		<u>6,318,890,369</u>		<u>84,681,197</u>

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
GESDeK, and GoK		5,264,905,365	-	4,824,014,209		440,891,156
SIDA and DANIDA		1,053,985,003	-	1,053,985,003		-
Total		<u>6,318,890,368</u>		<u>5,877,999,212</u>		<u>440,891,156</u>

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a-b	d=b/a %
Receipts				
Transfer from Government entities	564,408,775	426,408,775	138,000,000	76%
Proceeds from domestic and foreign grants	-	-	-	
Proceeds from borrowings	-	-	-	
Miscellaneous receipts(Bank interest)	0	12,631,468	-12,631,468	0%
Total Receipts	564,408,775	439,040,243	125,368,532	78%
Payments				
Compensation of employees	51,000,000	57,616,533	-6,616,533	113%
Purchase of goods and services	513,408,775	399,960,953	113,447,822	78%
Social security benefits	-	-	-	
Acquisition of non-financial assets	-	-	-	
Transfers to other government entities	-	-	-	
Other grants and transfers-Charges & taxes	-	-	-	
Total payments	564,408,775	457,577,486	106,831,289	81%

2.9 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. In cases of inconsistency between the GOK Regulations and those of the donors, the country systems have to be fully applied. In conclusion, the planned activities were implemented within the stipulated time period as in the specified in the agreements.

3. Statement of Performance against Project's Predetermined Objectives

(i) INTRODUCTION

The Public Financial Management Reforms (PFMR) Programme guides implementation of Public Financial Reforms in Kenya. Under the Programme the PFMR Secretariat was coordinating the implementation of PFM reforms as outlined in the PFMR Strategy 2023-2028. The Programmes implemented in the Strategy were Second Program for Results for Strengthening Governance and Enabling Service Delivery and Public Investment in Kenya (GESDeK II) and Public Accountability and Service Delivery programme (PASEDE). The GESDeK II programme was funded by the World Bank (WB) and while PASEDE is funded by the European Union (EU). Both the GESDeK II and PASEDE are Programmes for Results where Government budgets a portion of the variable cost as provided for in the GESDeK II agreement to fund the implementation of agreed Disbursement Linked Results (DLRs). Upon achievement of the DLRs, WB, and EU disburses an agreed amount pegged on the achieved DLIs to the exchequer as budgetary support.

(ii) PROGRAMME MANAGEMENT

The PFMR Strategy 2023-2028 emphasise on collaboration, coordination and commitment across by different implementing MCDAs. The MCDAs carried out activities to ensure the delivery of PFM results as envisaged in the Strategy. The institutions that play a key role include Results Teams drawn from implementing MCDAs and are responsible for implementation and achievement of specific results.

For effective reforms coordination the PFMR Strategy 2023-2028 outlined an institutional framework that's puts in place a high-level PFM Steering Committee supported by a Joint Technical Committee. Both the PFM Steering Committee and the Joint Technical Committee received technical and administrative support from the PFM Reforms Secretariat. Additionally, development partners support was coordinated by the PFM Secretariat Committee and PFM Development Partners Group which ensured complementarities and alignment with the Strategy. The Strategy has a results framework which guided the monitoring and evaluation of the Strategy which is coordinated by the PFMR Secretariat.

The summary of key achievements of the PFMR Strategy 2023-2028 per result area as at the end of 2024/25 financial year were: -

- i. Sustainable and predictable fiscal space to deliver priority programs:** The achieved reforms were: -
 - a) The VAT to GDP ratio showed a slight increase to 4.0% by end June 2024 from 3.9% by end June 2023, depicting ongoing efforts in VAT collection efficiency through mechanisms like eTIMS. Additionally, the VAT Exemptions to GDP Ratio (excluding unprocessed goods) decreased from 2.3% to 2.0%, aligning with goals to reduce exemptions and broaden the tax base.
 - b) In relation to coverage of GFS, the set target of 4 QEBR produced annually using the 2014 GFSM fiscal framework was achieved. Also, the set target of 5 Counties reporting their financial statistics using the 2014 GFSM framework was achieved
 - c) Efforts to enhance tax compliance and improve revenue collection within the MSME and hard-to-tax sectors have seen notable progress. The initiative to recruit new taxpayers from these sectors achieved a 24% increase, surpassing the target of 1,140,000 and reaching 1,413,181 taxpayers recruited in the informal sector. The rollout of the Electronic Tax Invoice Management System (eTIMS) to VAT taxpayers made remarkable progress reaching 64% against a target of 30%
 - d) There was an increase in the number of MDAs onboarded on the government digital payment platform, from 180 to 440, against a target of 220, due to the presidential directive of onboarding services on the e-citizen platform.
- ii. Strategic and Transparent Spending on Public Investment and Service Delivery in Line with National and County Policy Commitments:** The reforms achieved under the result area were:-
 - a) Notable progress was made with 83 against a target of 10 MDAs whose budgets were costed and prioritized using the costing tool in Hyperion system.

- b) There were 83 MDAs and 28 Counties providing accessible data through the budget portal surpassing the set target of 20 and 5 respectively. This achievement enhances transparency and enables stakeholders to access timely and reliable financial and non-financial information for both National and County levels of Government.
 - c) The Bills Tracking Module within the Legislative Agenda Tracking Information System (LATIS) was completed and is awaiting piloting and roll out. Additionally, 29.4% of progress reports on priority projects and programmes were publicized, surpassing the initial target of 20%.
- iii. Reliable Cash for Service Delivery and Public Investment:** The achieved reforms were:
- a) Ninety nine percent (99%) of MDAs were in the automated exchequer release environment except Public Debt and Pension Departments, with interfaces to accommodate the two MDAs at the testing stage. Exchequer releases from Consolidated Fund to CRF was automated and the development of workflow process from CRF to county operational accounts is awaiting roll out.
 - b) Total revenue variation was Ksh. 69,323.96 million resulting in 89% achievement against a target of 40%. Variations between forecast and actual cash available drastically reduced due to realistic cash planning.
 - c) The implementation of the Meridian system significantly improved forecasting in preparation for cash requirements resulting to achievement of 85%.
- iv. Value for money in procurement and contract management:** The reforms achieved under the result area were:-
- a) E-GP phase I was completed and piloted in 9 MDAs roll out is ongoing among procuring entities aimed at enhancing efficiency, transparency, and accountability in public procurement.

- b) In efforts to ensure compliance with the revised professional framework among the public procurement workforce, a syllabus review and mapping were done, and a draft investigation manual developed. These foundational steps are crucial for establishing a structured training approach that aligns with the updated professional standards, paving the way for future workforce development and improved compliance.

v. Value for money, performance & accountability in staffing for service delivery:

The achieved reforms were: -

- a) The payroll module was automated and successfully integrated with the Unified Payroll Number (UPN) module. This integration is a positive step toward centralizing HR data, allowing for more efficient data management and streamlined processes.
- b) Twenty four percent (24%) of the State Corporations and 50% of the MDAs had rationalized mandates, functions, organizational structures, and staff establishments. This enhanced efficiency and informed appropriate grading and salary structures that reflected the actual workload and responsibilities
- c) Fifty percent (50%) of public service institutions implemented the uniform norms and standards on performance and productivity surpassing the set target of 45%. This enhanced consistency, transparency, and accountability in performance and productivity across public institutions. Additionally, it optimized resource allocation and improved public sector effectiveness.

vi. Disciplined Financial Management and Accurate Reporting: The achieved reforms were:-

- a) Ten percent (10%) of MCDAs reported on inventory through IFMIS surpassing the initial target of 5%. This improvement indicates a positive adoption of the system.
- b) Twenty percent (20%) of assets and liabilities were transferred from National to County Governments against a target of 5%. Additionally, 100% of the assets related to the library function were transferred to the County Governments in June 2023. 80% of the assets related to the museum function were transferred in June 2024.

- c) Ten percent (10%) of the MCDAs were using the upgraded SCOA in line with GFSM 2014. This was approved by the Cabinet and a steering committee constituted and operationalized. Additionally, users were sensitized.
 - d) Implementation of IPSAS accrual accounting was approved and trainings undertaken equipping public sector accountants with the necessary skills to prepare high-quality financial statements to support reporting.
- vii. Accountability Delivered through Audit, Oversight and Follow up:** The reforms achieved under the result area were: -
- a) Sixty percent (60%) of MDAs implemented the reviewed internal audit framework, reflecting substantial progress in adopting standardized audit practices.
 - b) The quality of external audit reports was enhanced achieving 100% compliance with International Standards (ISSAIs) that guide public sector audit surpassing the set target of 50%.
 - c) Thirty percent (30%) of MCDAs audit reports were issued within six months following the end of the fiscal year, surpassing the 25% target due to capacity building and proper planning.
 - d) There were 4 core government systems audited against a target of 2.
 - e) At the National level, 5 performance audit reports were completed, exceeding the target of 3, reflecting a positive commitment to accountability for priority programmes and projects. In addition, 28 Legislative Oversight Committees and technical support teams were trained to interrogate value-for-money and Performance Audit reports and climate change audit reports, surpassing the set target of 6.
 - f) For external audit 70% of recommendations were followed up, surpassing the 40% target and inspection and management audit recommendations were at 60% follow-up rate, exceeding the 40% target.
 - g) There was 100% completion in governance audits indicates the successful establishment and full deployment of the framework across State Corporations.

Programmes being implemented in the Strategy

1. Second Program for Strengthening Governance for Enabling Service Delivery and Public Investment in Kenya (GESDEK II)

a) Project Description

The Program for Results (PforR) to strengthen Governance for Enabling Service Delivery and Public Investment in Kenya (GESDeK II) is a GoK/World Bank/ funded program. The Bank is financing the program through a credit of USD 250 million. The Program focuses on the following result areas: -

- Enhancing Revenue Mobilization,
- Strengthening the Accountability and Transparency of Public Spending,
- Improving the Implementation of Priority Programs and Projects, and
- Promoting Audit and External Oversight.

b) The objective of the programme is to enhance revenue mobilization and deepen the accountability and transparency in Public Finance Management at the National Level. The objective is in line with the PFM Reforms Strategy objective of ensuring a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

c) Progress on the attainment of strategic development objectives

Project	Objective	Outcome	Indicator	Performance
Second Program for Strengthening Governance for Enabling Service Delivery and Public Investment in Kenya (GESDEK II)	To enhance revenue mobilization and deepen the accountability and transparency in Public Finance Management at the National Level	A public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development	VAT gap is reduced	Ministries, Departments and Agencies implementing the programme fully achieved 100% of the Disbursement Linked Results (DLRs) during the period under review

2. Public Accountability and Service Delivery Programme (PASEDE)

a) Project Description

The National Treasury and the European Union is implementing the Public Accountability and Service Delivery (PASEDE) Programme. PASEDE is funded by the European Union (EU) to the tune of €26 million grant with a budget support component of €23.5M and a complementary component for capacity building of €2.5M. The objective of the Programme is to improve financial transfers to counties; (ii) enhance revenue mobilization; (iii) improve business environment; and (iv) better public investment management practices. The Programme is supporting implementation of interventions in the PFMR Strategy 2018-2023 under the Accounting Services Department (ASD), Public Procurement Department (PPD), Public Investment Management Unit (PIM) and the Kenya Revenue Authority (KRA).

b) Strategic development objectives

- i. Indicator 1: Discrepancy between legal provisions and actual disbursement of the equitable share to counties
- ii. Indicator 2: average actual domestic revenue Collection as a Percentage of Printed Estimates
- iii. Indicator 3: Average time taken for KRA customs clearance and inspection from registration to release.
- iv. Indicator 4: Implementation of new procurement legislation
- v. Indicator 5: Improved Public Investment Management

c) Progress on attainment of strategic development objectives

Project	Objective	Indicator	Performance
Public Accountability and Service Delivery (PASEDE) Programme	The objective of the Programme is to improve financial transfers to counties; (ii) enhance revenue mobilization; (iii) improve business environment; and (iv) better public investment management practices	Discrepancy between legal provisions and actual disbursement of the equitable share to counties- <i>96% at the end of June 2024.</i> Average actual domestic revenue Collection as a Percentage of Printed Estimates-<i>Neutralized</i> Average time taken for KRA customs clearance and inspection from registration to release - <i>The target was achieved; clearance hours is 41.45 hours on average</i> Implementation of new procurement legislation - <i>All (16) e-GP Phase I modules were delivered, with 2 modules pending UAT. UAT was completed for nine (9) pilot MDAs, user guidelines drafted, and 17 trainers trained. Standard tender documents were updated for e-GP compliance and uploaded for roll out</i> Improved Public Investment Management - <i>The PIMIS system is operational and roll out is underway in National Government sectors and later to County Governments</i>	Ministries, Departments and Agencies implementing the programme achieved most of the Disbursement Linked Indicators (DLIs) at the end of the programme.

d) Challenges

The rollout of key PFM digital systems also faced integration challenges. While PIMIS and e-GP were successfully introduced, the adoption process was slower than anticipated. System interoperability issues between PIMIS, IFMIS, and procurement platforms further complicated implementation, requiring ongoing technical refinements and capacity-building interventions. Another major challenge was the fiscal space constraints exacerbated by macroeconomic pressures. Kenya's fiscal deficit, though improving, remained high, limiting the government's ability to fully implement certain PFM reforms

4. Environmental and Sustainability Reporting

i. Environmental performance

The implementation of various Programme activities entailed procurement of electronic equipment including computers, tablets and related accessories. At end-of-life of the devices they are likely to lead to adverse impacts associated with e-waste generation. The Programme has put in place measures to ensure that all electronic devices are procured from suppliers that are credible, and all e-waste generated during the life of the operation is disposed of effectively. All the e-wastes generated by the program will be recaptured via a “Take Back Scheme” for recycling where these end-of-life devices will be delivered to facilities that recycle e-waste at minimal or no cost. The Programme will use and follow the existing regulations and protocol provided for by the Environmental Management and Coordination Act 1999, (as amended in 2015), Waste Management regulations as well as draft e-waste management regulations including following an Environmental Code of Practice.

ii. Employee welfare

The Programme in the period under review has trained staff on public finance management reforms. To build adequate capacity of staff to better coordinate and implement PFM reforms the trainings need to be sustained.

iii. Marketplace Practices

The project maintains good business practices and treats its suppliers responsibly by honouring contracts and respecting payment practices within the existing legal framework.

iv. Community Engagements

The Project did not engage in any community engagements during the period under review.

5. Statement of Project Management Responsibilities

The *Principal Secretary* for the *National Treasury* and the *Project Coordinator for Public Financial Management Reforms Secretariat* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the *National Treasury* and the *Project Coordinator for Public Financial Management Reforms Secretariat* accept responsibility for the Project's financial statements, which have been prepared on the accrual basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Principal Secretary* for the *National Treasury* and the *Project Coordinator for Public Financial Management Reforms Secretariat* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The *Principal Secretary for the National Treasury* and the *Project Coordinator for Public Financial Management Reforms Secretariat* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

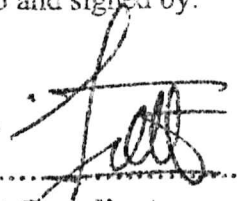
The *Principal Secretary for the National Treasury* and the *Project Coordinator for Public Financial Management Reforms Secretariat* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Principal Secretary* for the *National Treasury* and the *Project Coordinator* for **Public Financial Management Reforms Secretariat** on 27th August 2025 and signed by:



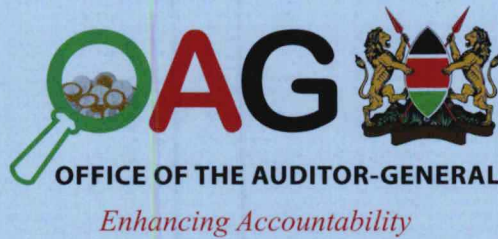
.....
Principal Secretary
Dr. Chris K. Kiptoo, CBS



.....
Project Coordinator
Joel K. Bett

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC FINANCIAL MANAGEMENT REFORMS PROGRAM (CREDIT NOS. DANIDA/FY06, SIDA 51110081, IDA GESDeK-7438-KE, AFD/CKE 1130, PASEDE CRIS NO:041-658 AND UNICEF CPD KENYA) FOR THE YEAR ENDED 30 JUNE, 2025 – THE NATIONAL TREASURY

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 the 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, risk management environment and 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, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Public Financial Management Reforms Program set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of

Report of the Auditor-General on Public Financial Management Reforms Program (Credit Nos. DANIDA/FY06, SIDA 51110081, IDA GESDeK-7438-KE, AFD/CKE 1130, PASEDE CRIS No:041-658 and UNICEF CPD Kenya) for the year ended 30 June, 2025 – The National Treasury

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Public Financial Management Reforms Program as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreements Nos. DANIDA/FY06, SIDA 51110081, IDA GESDeK-7438-KE, AFD/CKE 1130, PASEDE CRIS NO. 041-658, and UNICEF CPD Kenya between the Danish International Development Agency (DANIDA) dated 16 September, 2016 (extended on 04 March, 2021), Swedish International Development Cooperation Agency (SIDA) dated 22 July, 2014 (extended on 05 August, 2021), International Development Association (IDA) dated 28 September, 2017, Agence Française de Développement (AFD) dated 23 January, 2019, European Commission dated 28 April, 2020, UNICEF dated 19 November, 2024 and the Government of Kenya and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, transactions for the year and the closing balance has been reconciled with the records of the account.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Public Financial Management Reforms Program Management in accordance with ISSAI 130 on the 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.564,408,775 and actual revenue of Kshs.439,040,243, resulting to an under-funding of Kshs.125,368,532 or 22% of the budget. However, the Program spent an amount of Kshs.457,572,486 against actual revenue of Kshs.439,040,243 resulting to an under-performance of Kshs.18,532,243 of the actual revenue.

The under-funding and under-performance affected implementation of the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the Other Information set out on pages iii to xxvi, which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and our auditor's report thereon.

In connection with my audit of the Program's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Long Outstanding Gratuity

The statement of financial position reflects a balance of Kshs.29,527,983 in respect of gratuity as disclosed in Note 25 to the financial statements. Management explained that the Program has been unable to fully settle the gratuity due to employees as a result of inadequate resources in the gratuity budget line. Management did not explain how the gratuity though budgeted and funds received in the respective years remained unpaid to date. This was contrary to Section 68(2)(d) of the Public Finance Management Act, 2012 which requires accounting officers to ensure that all contracts entered into by an entity are lawful and are complied with.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by DANIDA/FY06, SIDA 51110081, GESDeK-7438-KE, AFD/CKE 1130, PASEDE CRIS NO: 041-658 and UNICEF CPD KENYA Agreements, I report, based on my audit, that 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, Information given in the Management's report on pages xiv to xxvi is consistent with the financial statements.

Basis for Conclusion

The Financing Agreements require that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Public Financial Management Reforms Program's compliance with laws and regulations. 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 (Accrual 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 governance.

In preparing the financial statements, Management is responsible for assessing the Program's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Program or 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 comply 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 Program'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 governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 October, 2025

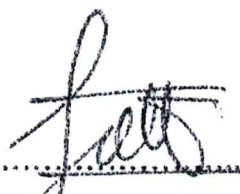
Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

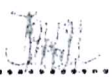
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024-2025 Kshs
Revenue		
Revenue Transfers	6	426,408,775
Miscellaneous Revenue	7	12,631,468
Total revenue		439,040,243
Expenses		
Employee costs	8	55,360,820
Use of goods and services	9	399,955,953
Depreciation and amortization expense	10	4,736,440
Other Transfers(Taxes & Charges)	12	-
Certified Works	13	-
Total expenses		460,053,213
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Deficit		(21,012,970)

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Principal Secretary
Dr. Chris K. Kiptoo, CBS


Project Coordinator
Joel K Bett


Financial Specialist
CPA Linah K Mwau
ICPAK NO.32791

*Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025*

8. Statement of Financial Position as at 30th June 2025

	Note	2025 Kshs	Opening Statement as at 1st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	703,877,180	722,409,423
Receivables	18	1,021,200	1,021,200
Inventories	19	1,708,675	1,708,675
Prepayments	20	-	-
Total Current Assets		706,607,055	725,139,298
Non-Current Assets			
Property, Plant and Equipment	21	19,057,452	23,793,893
Intangible Assets	22	-	-
Total Non- Current Assets		19,057,452	23,793,893
Total Assets (a)		725,664,507	748,933,191
Liabilities			
Current Liabilities			
Trade and Other Payables	23	45,360	-
Third Party Deposits	24	-	-
Gratuity	25	29,527,983	31,829,055
Total Current Liabilities(b)		29,573,343	31,829,055
Total Liabilities		29,573,343	31,829,055
Net Assets		696,091,165	717,104,135
Represented By:			
Accumulated Surplus		696,091,165	717,104,135
Total Net Assets		696,091,165	717,104,135

The financial statements were approved on 22/08/2025 and signed by:


Principal Secretary
Dr. Chris K. Kiptoo, CBS


Project Coordinator
Joel K Bett


Financial Specialist
CPA Linah K Mwau
ICPAK NO.32791

*Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025*

9. Statement of Changes in Net Assets

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	722,409,423
Adjustments:	
Assets (PPE, Inventory & Receivable)	26,523,768
Liabilities (Gratuity)	(31,829,055)
	(5,305,288)
As at 1st July 2024	717,104,135
Surplus/(Deficit) for the period	(21,012,970)
As at 30th June 2025	696,091,165

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 27/08/ 2025 and signed by:


Principal Secretary
Dr. Chris K. Kiptoo,
CBS


Project Coordinator
Joel K Bett


Financial Specialist
CPA Linah K Mwau
ICPAK NO.32791

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

10. Statement of Cash flow for the year ended 30th June 2025

Description	Note	2024-2025
		Kshs
Cash flow from operating activities		
Receipts		
Revenue Transfers	6	426,408,775
Miscellaneous Revenue	7	12,631,468
Total receipts		439,040,243
Payments		
Employee costs	8a	57,616,533
Use of goods and services	9a	399,955,953
Total payments		457,572,486
Net cash flow from operating activities	26	(18,532,243)
Cash flow from financing activities		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		(18,532,243)
Cash and cash equivalent at 1st July 2024	17	722,409,423
Cash and cash equivalent at end of Period June 2025	17	703,877,180

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Comparable Basis	on Difference	% of Utilization	Explanation
	a	b	c=a+b	d	e=c-d	f=d/c %	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Transfers	594,408,775	(30,000,000)	564,408,775	426,408,775	138,000,000	76%	Project did not receive all exchequers and Ksh 118M was a budget provision for
Miscellaneous Revenue	0	0	0	12,631,468	-12,631,468	0%	
Total Revenue	594,408,775	(30,000,000)	564,408,775	439,040,243	125,368,532	78%	
Payments							
Employee costs	58,000,000	(7,000,000)	51,000,000	57,616,533	-6,616,533	113%	The Project had spent before the money was cut under SUPP11
Use of goods and services	536,408,775	(23,000,000)	513,408,775	399,955,953	113,452,822	78%	Project received exchequers late
Depreciation and amortization expense	0	0	0	-	0	0	
Transfer to other Government Entities	0	0	0	-	0	0	
Other Transfers/Subsidies/Grants	0	0	0	-	0	0	
Certified Works	0	0	0	-	0	0	
Total Payments	594,408,775	(30,000,000)	564,408,775	457,572,486	106,836,289	81%	
Surplus or Deficit				(18,532,243)			

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus/Deficit Amounts as per the statement of Budget	(18,532,243)
	Opening Balance	722,409,423
	Closing Cash and Cash Equivalent as per the statement of Cash flows	703,877,180

12. Notes to the Financial Statements

1. General Information

Public Financial Management Reforms Secretariat is established by the National Treasury. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to co-ordinate PFM reforms at the two levels of Government.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and PFMR secretariat has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on the National Treasury.

3. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

Public Financial Management Reforms Secretariat

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved as per the Law and National Treasury regulations. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of *Ksh. 77, 000,000 under Development vote and budget cut of Ksh 7,000,000 on recurrent vote* on the FY 2024/2025 budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance

costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The *Public Financial Management Reforms Secretariat* shall expense research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Public Financial Management Reforms Secretariat does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the financial statements

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) shall be set out in the notes.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Public Financial Management Reforms Secretariat
Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the financial statements

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Public Financial Management Reforms Secretariat*.

i) Provisions

Provisions are recognized when the *Public Financial Management Reforms Secretariat* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where *Public Financial Management Reforms Secretariat* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

Public Financial Management Reforms Secretariat 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.

Contingent assets

Public Financial Management Reforms Secretariat does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the *Entity* in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

Public Financial Management Reforms Secretariat creates and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

Public Financial Management Reforms Secretariat recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

Public Financial Management Reforms Secretariat provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

m) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

n) Related parties

Public Financial Management Reforms Secretariat regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over *Public Financial Management Reforms Secretariat*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Public Financial Management Reforms Secretariat
Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the financial statements

o) Service concession arrangements

Public Financial Management Reforms Secretariat analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, *Public Financial Management Reforms Secretariat* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, *Public Financial Management Reforms Secretariat* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) 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.

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Public Financial Management Reforms Secretariat Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Public Financial Management Reforms Secretariat*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Revenue Transfers

Description	2024-2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	426,408,775
Transfers from Development partners	-
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	426,408,775
Conditional Transfers	
Transfers from Development partners 1	-
Transfers from Development partner 2	-
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	-
Total Transfers for the Year (a + b)	<u>426,408,775</u>

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024-2025)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	426,408,775	-	-	426,408,775
Development Partner 1	-	-	-	-
Development Partner 2	-	-	-	-
Subtotal	=	=	=	=
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	<u>426,408,775</u>	=	=	<u>426,408,775</u>

Notes to the financial statements

7. Miscellaneous revenue

Description	FY 2024/25
	Kshs
Interest Income (KCB Bank)	12,631,468
<i>Others (specify)</i>	-
Total	<u>12,631,468</u>

8. Employees Costs

Description	FY 2024/25
	Kshs
Basic salaries of permanent employees	41,629,872
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	-
Personal allowances provided in kind	-
Pension and other social security contributions	1,438,063
Compulsory national social security schemes (NSSF)	573,840
Compulsory national health insurance schemes (SHIF)	1,025,625
Gratuity provision for the period	10,693,420
Total	<u>55,360,820</u>

a). Employees Costs

Description	2024-2025
	Kshs
Total employees cost incurred for the period	55,360,820
Gratuity Paid out	12,994,493
Gratuity provision for the period	-10,693,420
Other payable	-45,360
Total employees cost	<u>57,616,533</u>

9. Use of Goods and Services

Description	FY 2024/25
	Kshs
Utilities, supplies and services	
Bank charges & taxes	-
Communication, supplies and services	-
Domestic travel and subsistence	398,200
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	97,978
Office rent	-

Public Financial Management Reforms Secretariat

Annual Reports and Financial Statements for the year ended June 30, 2025.

Description	FY 2024/25
	<u>Kshs</u>
Training payments	-
Hospitality supplies and services	-
Insurance costs	8,863,115
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
Other Goods & Services-Development	390,596,660
Total	<u>399,955,953</u>

(The total of **Ksh. 390,596,660** is expenditure incurred on straight line budget –Development vote ,with **Kshs.29,508,504** being SIDA Expenditure)

9.a) Use of Goods and Services

Description	FY 2024/25
	<u>Kshs</u>
Total use of good incurred	399,955,953
Imprests	-
Total use of goods as paid in cash	<u>399,955,953</u>

Notes to the financial statements

10. Depreciation and Amortization expense

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	4,736,440
Intangible Assets	-
Total	<u>4,736,440</u>

11. Transfer to Other Government Entities

Description	FY 2024/25
	Kshs
Ministry ABC	-
Project XYZ	-
Department xxx	-
County xxx	-
Total	<u>=</u>

12. Other Transfers/Subsidies/Grants

Description	FY 2024/25
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
<i>Others Specify</i>	-
Total	<u>=</u>

13. Certified Works

Description	FY 2024/25
	Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
Total	<u>=</u>

Notes to the financial statements

14. Gain/Loss on Sale of Assets

Description	FY 2024/25
	Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain/loss on sale of assets	=

15. Gain/Loss on foreign exchange transactions

Description	FY 2024/25
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
Total Gain/Loss	=

16. Impairment Loss

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<i>Others specify</i>	-
Total Impairment Loss	=

17. Cash and Cash Equivalents

Description	2024-2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	703,877,180	722,409,423
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	<u>703,877,180</u>	<u>722,409,423</u>

Notes to the financial statements

Project Bank Accounts

Details	2024-2025	1st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No.....]		
Co-operative Bank of Kenya [A/c No.....]		
Others (<i>specify</i>)		
Total Foreign Currency balances		
Local Currency Accounts		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No.1102295264]	703,877,180	722,409,423
Co-operative Bank of Kenya [A/c No.....]		
Others (<i>specify</i>)		
Total local currency balances		
Total bank account balances	<u>703,877,180</u>	<u>722,409,423</u>

Notes to the Financial Statements (Continued)

18. Receivables

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (Salary Refund from National Treasury)</i>	1,021,200	1,021,200
Total Receivables	<u>1,021,200</u>	<u>1,021,200</u>

Ageing analysis for Receivables

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	=	%	=	%

19. Inventories

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Consumable stores	1,708,675	1,708,675
Construction stores	-	-
<i>Others consumables (specify)</i>	-	-
Less: allowance for impairment	-	-
Total inventories	<u>1,708,675</u>	<u>1,708,675</u>

(This are majorly are computer toners)

20. Prepayments

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
Insurance	xxx	xxx
Rent	xxx	xxx
<i>Others specify</i>	xxx	xxx
Total inventories	xxx	xxx

21. Property, Plant and Equipment

	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (Office Equipments)	Capital Work in progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2024 (opening balances)	-	7,143,680	14,385,335	8,541,072	-	30,070,087.00
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30th June, 2025	-	7,143,680	14,385,335	8,541,072	-	30,070,087.00
Depreciation And Impairment						
At 1 July 2024	-	892,960	4,315,601	1,067,634	-	6,276,194.50
Depreciation charge for the period	-	781,340	3,020,920	934,180	-	4,736,440.10
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30th June, 2025	-	1,674,300	7,336,521	2,001,814	-	11,012,634.60
Net Book Values						
As at 1st July 2024	-	6,250,720.00	10,069,734.50	7,473,438.00	-	23,793,892.50
As at 30th June, 2025	-	5,469,380	7,048,814	6,539,258	-	19,057,452.40

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

22. Intangible Assets

Description	1 st July 2024
	Kshs
Cost	-
As at 1st July 2024	-
Additions	-
As At 30th June 2025	=
Amortization and impairment	
As at 1st July 2024	-
Amortization	-
Impairment loss	-
As At 30th June 2025	=
NBV as at 1st July 2024	-
NBV as at 30th June 2025	=

23. Trade and Other Payables

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables (Deduction due)	45,360		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	<u>45,360</u>		=	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	=		=	

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

24. Third-Party Deposits

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	=		=	
Ageing analysis: (Refundable deposits)	-	-	Comparative FY	% of the Total
Under one year	-	-	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	=		=	

25. Deferred Income

Description	FY 2024/25		1 st July 2024	
	Kshs		Kshs	
Development partner 1	-		-	
Development partner 2	-		-	
Others specify(Gratuity)	29,527,983		31,829,055	
Total Deferred Income	<u>29,527,983</u>		<u>31,829,055</u>	

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify(Gratuity)	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	-	-	31,829,055	31,829,055
Additions	-	-	(2,301,073)	(2,301,073)
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 th June 2025	=	=	<u>29,527,983</u>	<u>29,527,983</u>

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

26. Cash Generated from Operations

Description	FY 2024/25
	Kshs
Surplus/Deficit for the year	(21,012,970)
Adjusted for:	-
Depreciation	4,736,440
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	-
Increase in inventory	-
Increase in receivables	-
Increase in deferred income (Gratuity paid out plus Gratuity provision for the period & other payables)	(2,255,713)
Increase in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	(18,532,243)

27. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY 2024/25	1 st July 2024
	USD	USD
(i) A/C Name [A/c NO.7219475]		
Opening balance	32,817.92	32,817.92
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	<u>32,817.92</u>	<u>32,817.92</u>
(ii) A/c Name [A/c No.7219475]		
Opening balance (as per the SDA reconciliation)	32,817.92	32,817.92
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>32,817.92</u>	<u>32,817.92</u>

28.Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

29.Events after the Reporting Period

There was no material adjusting events and non-adjusting events after the reporting period.

30.Ultimate And Holding Entity

The Public Financial Management Reforms Secretariat is a Programme under the National Treasury. Its ultimate parent is the Government of Kenya.

31.Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

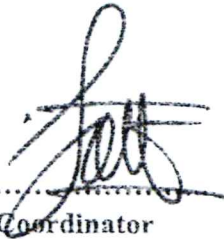
Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

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)
1.0	Staff pending bills (Gratuity)	A total of Kshs.12, 994,493 was settled out of the Ksh 31,829,055 that was pending. Also, Management has requested for additional budget to clear all the outstanding gratuity.	Partially resolved/Not resolved	30.06.2026
2.0	Failure to Fill Vacant Positions	12 Vacant positions were filled.	Resolved	-


Principal Secretary
Dr. Chris K. Kiptoo, CBS


Project Coordinator
Joel K Bett

Annex 2: Reconciliation of inter-entity transfers

Project Name:		Break down of transfers from the National Treasury		
a.	Government Counterpart funding	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	GESDeK (Dev)	15/01/2025	75,000,000	2024/2025
	GESDeK (Dev)	28/01/2025	75,000,000	2024/2025
	GESDeK (Dev)	27/02/2025	75,000,000	2024/2025
	GESDeK (Dev)	21/05/2025	125,000,000	2024/2025
	Recurrent	14/08/2024	19,102,193.75	2024/2025
	Recurrent	17/12/2024	19,102,193.75	2024/2025
	Recurrent	25/03/2025	19,102,193.75	2024/2025
	Recurrent	21/05/2025	19,102,193.75	2024/2025
	Total		426,408,775	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total	-	-
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	-
	Total		-	-
	Total (A+B+C)		426,408,775	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Joel K bett
Project Coordinator
Public Financial Management Reforms Secretariat

Sign

CPA George K Gichuru
Head of Accounting Unit
The National Treasury

Sign

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Transport equipment	-	-	-	-	-
Office equipment, furniture and fittings	7,143,680	-	-	-	7,143,680
ICT Equipment	14,385,335	-	-	-	14,385,335
Other Assets(Office Equipment)	8,541,072	-	-	-	8,541,072
Machinery and Equipment	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	-	-	-	-	-
Total	30,070,087	=	=	=	30,070,087

Public Financial Management Reforms Secretariat
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 4: GESDeK Financials

IMDA ALLOCATIONS FY 2024-2025 VS EXPENDITURE AS AT 30/06/2025							
MDAS	INITIAL ALLOCATION	ADJUSTMENTS	FINAL ALLOCATION	ACTUAL EXPENDITURE	COMMITMENTS	BAL	% of Utilization
ASD - FRU	5,000,000.00		5,000,000.00	4,731,300.00	-	268,700.00	95%
ASD - CMU	25,384,615.00	- 2,562,754.00	22,821,861.00	22,710,503.20	-	111,357.80	100%
ASD - NSCT	2,051,282.00		2,051,282.00	1,926,900.00	-	124,382.00	94%
Budget	4,000,000.00		4,000,000.00	-	-	4,000,000.00	0%
CRA	3,051,282.00		3,051,282.00	3,045,400.00	-	6,882.00	100%
DPSRM	3,051,282.00		3,051,282.00	2,028,600.00	-	1,022,682.00	66%
DR&SD	3,051,282.00	229,318.00	3,280,600.00	3,280,600.00	-	-	100%
GDPU	5,051,282.00		5,051,282.00	4,778,700.00	-	272,582.00	95%
GIPE	5,333,333.00	34,907,711.00	40,241,044.00	40,241,044.00	-	-	100%
IAGD	5,000,000.00	3,735,600.00	8,735,600.00	8,735,600.00	-	-	100%
PFMRS	80,000,000.00	42,644,088.02	122,644,088.02	122,488,045.02	-	-	100%
IFMIS	5,000,000.00		5,000,000.00	4,657,400.00	-	156,043.00	100%
IGFRD	3,051,282.00		3,051,282.00	2,917,600.00	-	342,600.00	93%
ISC	2,051,282.00		2,051,282.00	1,845,400.00	-	133,682.00	96%
KISM	2,051,282.00		2,051,282.00	1,668,100.00	-	205,882.00	90%
KISEB	2,051,282.00		2,051,282.00	2,046,369.00	-	383,182.00	81%
KRA	6,051,282.00	1,454,318.00	7,505,600.00	7,505,600.00	-	4,913.00	100%
DSAS	3,051,282.00		3,051,282.00	2,968,000.00	-	83,282.00	97%
MFAD	9,333,333.00		9,333,333.00	8,004,600.00	-	1,328,733.00	86%
NALM	5,000,000.00	740,980.00	5,740,980.00	5,740,980.00	-	-	100%
NGCS	2,051,282.00	7,437,218.00	9,488,500.00	9,488,500.00	-	-	100%
OAG	11,384,619.00	700,000.00	12,084,619.00	12,019,600.00	-	65,019.00	99%
OCOB	3,051,282.00		3,051,282.00	2,979,300.00	-	71,982.00	98%
Pensions	2,051,282.00	179,118.00	2,230,400.00	2,230,400.00	-	-	100%
PIMU	5,333,333.00	1,401,867.00	6,735,200.00	6,735,200.00	-	-	100%
PPD	6,333,333.00		6,333,333.00	5,782,500.00	-	550,833.00	91%
PPPD	2,051,282.00		2,051,282.00	-	-	2,051,282.00	0%
PPRA	3,051,282.00		3,051,282.00	1,634,400.00	-	1,416,882.00	54%
PSC	19,153,846.00	13,806,016.98	32,959,862.98	32,959,862.98	-	0.00	100%
PSASB	5,333,333.00	-	5,333,333.00	5,325,000.00	-	8,333.00	100%
PSPMU	5,000,000.00	- 500,000.00	4,500,000.00	4,490,400.00	-	9,600.00	100%
RMD	4,000,000.00	-	4,000,000.00	3,855,200.00	-	144,800.00	96%
SCAC	3,051,282.00	581,118.00	3,632,400.00	3,632,400.00	-	-	100%
SDPA	3,051,282.00	2,118.00	3,053,400.00	3,053,400.00	-	-	100%
SDPS	5,333,333.00	2,243,283.00	7,576,616.00	7,576,616.00	-	-	100%
SDSPS&C	2,051,282.00	-	2,051,282.00	2,006,500.00	-	44,782.00	98%
SRC	4,000,000.00		4,000,000.00	1,401,136.00	-	2,598,864.00	35%
TSC	3,051,282.00	-	3,051,282.00	2,559,500.00	-	491,782.00	84%
IGRTC	2,051,282.00	-	2,051,282.00	2,037,500.00	-	13,782.00	99%
TOTAL GESDEK	270,000,000.00		377,000,000.00	361,088,156.20	-	15,911,843.80	96%
KRA SIDA	31,567,438.38	-	31,567,438.38	29,508,504.00	-	2,058,934.38	93%
				390,596,660.20			

i.Bank Reconciliations statement as at 30th June 2025

BANK RECONCILIATION AS AT 30TH JUNE 2025				
BALANCE AS PER BANK STATEMENT:			KSHS.	
CASH IN HAND			712,493,763.50	
ADD:			712,493,763.50	
1. Payments in bank statement not in cashbook:				
TOTAL			-	
2. Receipts in cashbook not in bank statement				
30/06/2025 James Maingi		7,200.00		
TOTAL		7,200.00		
TOTALS 1 & 2		7,200.00		712,500,963.50
LESS				
3. Payment in cashbook not in bank statement				
30/06/2025 Lake Naivasha Resort-VAT		3,068.00		
30/06/2025 Wildlife Research-NET		1,054,500.00		
30/06/2025 Wildlife Research-VAT		18,500.00		
30/06/2025 Machakos University-NET		271,241.00		
30/06/2025 Machakos University-VAT		4,759.00		
30/06/2025 R.H Devani-NET		12,086.55		
30/06/2025 R.H Devani-VAT		213.00		
30/06/2025 Netasam-NET		18,672.00		
30/06/2025 Netasam-NET		49,481.00		
30/06/2025 Netasam-VAT		869.00		
30/06/2025 Swindomax-NET		2,407,758.00		
30/06/2025 Swindomax-VAT		42,242.00		
30/06/2025 Kenyatta Uni-NET		987,437.70		
30/06/2025 Kenyatta Uni-VAT		18,119.00		
30/06/2025 Kenyatta Uni-IT		45,295.30		
30/06/2025 Princess Office-NET		1,444,655.00		
30/06/2025 Princess Office-VAT		25,345.00		
30/06/2025 Kenyatta Uni-NET		329,145.60		
30/06/2025 Kenyatta Uni-VAT		6,040.00		
30/06/2025 Kenyatta Uni-IT		15,098.40		
30/06/2025 Emily Muchai		18,900.00		
30/06/2025 Longrock Tours		153,230.00		
30/06/2025 Netasam-VAT		328.00		
30/06/2025 Victor Marege		1,696,800.00		
TOTAL		8,623,783.55		
4. Receipts in bank statement not in cashbook				
TOTAL		-		
Totals for items 3 & 4 above		8,623,783.55		
BALANCE AS PER CASHBOOK			703,877,179.95	703,877,179.95
PREPARED BY: CPA KHATRA KASSIM (PROG. ASSISTANT FINANCE)				15/07/2025
REVIEWED BY: CPA LINAH MWAU (FINANCIAL SPECIALIST I)				15/07/2025
Control				



ii. Certificate of Bank Balance

Results 1 - 1 of 1

1218 CA 41 BRANCHES
CERTIFICATE OF BALANCE

KCB Bank Limited
(Incorporated in Kenya)

CERT2519800318

KCB KICC 17 JUL 2025

Certified that the balance at the CREDIT OF PUBLIC FINANCIAL MNGT REFORM SECRET

A/C 1102295264

at the close of business on 30 JUN 2025 Was KES

SEVEN HUNDRED AND TWELVE MILLION FOUR HUNDRED AND NINETY THREE THOUSAND SEVEN HUNDRED AND SIXTY THREE CENTS FIFTY

KES 712,493,763.50

FOR: KCB BANK KENYA LTD. FOR: KCB BANK KENYA LTD.

Examined by Asst. Manager, Customer Experience Branch Manager

Manager Service Quality & Compliance KICC, Nairobi

iii. Board of Survey

REPUBLIC OF KENYA

P.O. 51

Date: 30th June 2025

Report of the Board of Survey on the Cash and Bank Balances of Public Financial Management Reforms (PFMR)

As at the close of business on 30th June 2025

The Board consisting of – (Names and official titles)

CHAIRMAN Sylvia Nalume
MEMBER..... George Gakuba
MEMBER..... Maxwell Nuchiri

Assembled at the office of PUBLIC FINANCIAL MANAGEMENT REFORMS offices at 10:45 AM

And the following cash was produced

Notes.....	Sh.....	Nil.....
Silver.....	Sh.....	Nil.....
Copper.....	Sh.....	Nil.....
Cheques (as per details on reverse).....	Sh.....	Nil.....
It was observed that cheques amounting to Sh.....	Nil.....	Cts.....
Hand been on hand for more than 14 days prior to the day of the survey.		Nil.....
The cash consists of East African Currency and does not contain any demonetized Notes or Coins		

The cash reflected the following balances as at the close of business on the 30/06/2025

Cash on hand.....	Sh.....	Nil.....
Bank Balance.....	Sh. 703,877,179.....	Cts.....95

The bank certificate of Balance showed a sum of Kshs. 712,493,763.....Cts.....50

Standing to the credit of the account on 30th June 2025.....

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (P.O. 50) attached.

Date 3rd July 2025

Chairman

Members of the Board
GPK (L)

iv. Special Deposit Account(s) reconciliation statement(s)

PUBLIC FINANCE MANAGEMENT REFORMS PROJECT
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2025
PART B: ACCOUNT RECONCILIATION

Credit No. FY06-10 LOAN

Bank Account No. 7219475 Held with Barclays Bank - Kenya

	NOTES	AMOUNT	AMOUNT
		USD	USD
1	Amount advanced by DANIDA B/F		32,817.92
	Less:		
2	Total amount recovered by DANIDA		-
3	Outstanding amount to be documented		32,817.92
	Represented by:		
4	Ending Special Account Balance as as 30 June 2025		32,817.92
5	Amounts claimed but not credited as at 30th June 2025		-
6	Amounts withdrawn and not claimed		-
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		-
9	Total advance to Special Account Year ended 30 June 2025		32,817.92

Notes:

- 1 There is no discrepancy between totals appearing on lines 3 and 9 above (e.g. amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by DANIDA and provide reasons for not claiming the expenditures

AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY

DATE:

v. Application of Funds Vs Receipts

Sources and Application of funds cumulative total from 2015/16 to date			
Year	component	Receipts	
2015/2016	DANIDA		209,881,589.50
	GOK		296,621,490.50
	INTEREST		9,080,666.20
	SIDA		234,187,650.00
			749,771,396.20
2016/2017	DANIDA		206,278,116.00
	GOK		92,058,126.00
	INTEREST		9,206,585.00
	SIDA		124,131,500.00
			431,674,327.00
2017/2018	DANIDA		191,871,938.00
	GOK		946,044,930.00
	INTEREST		12,081,005.80
	SIDA		-
			1,149,997,873.80
2018/2019	SIDA		-
	GOK		32,427,450.55
	INTEREST		21,396,796.80
	DANIDA		204,634,210.60
			258,458,457.95
2019/2020	DANIDA		-
	GOK		1,170,382,545.00
	INTEREST		25,602,563.25
	SIDA		-
			1,195,985,108.25
2020/2021	DANIDA		55,057,288.00
	GOK		361,113,585.00
	INTEREST		30,334,571.00
	SIDA		-
			446,505,444.00
2021/2022	DANIDA		37,942,712.00
	GOK		259,907,871.00
	INTEREST		41,315,696.90
	SIDA		-
			339,166,279.90
2022/2023	GOK		802,438,412.00
	INTEREST		14,803,438.30
	SIDA		-
			817,241,850.30
2023/2024	GOK		475,136,738.30
	INTEREST		15,912,650.20
	SIDA		-
			491,049,388.50
2024/2025	GOK		426,408,775.00
	INTEREST		12,631,467.75
	SIDA		-
			439,040,242.75
CUMULATIVE RECEIPTS			6,318,890,368.65
APPLICATION OF FUNDS			
YEAR	KSHS		
2015/2016			473,812,815.09
2016/2017			514,219,095.75
2017/2018			226,949,388.65
2018/2019			951,062,733.15
2019/2020			502,322,314.81
2020/2021			881,362,684.00
2021/2022			556,803,181.23
2022/2023			766,477,837.93
2023/2024			547,411,675.92
2024/2025			457,577,485.70
			5,877,999,212.23