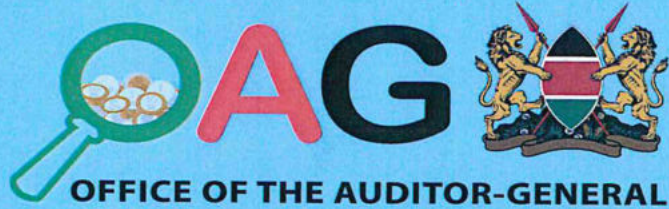


REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE NATIONAL TREASURY

**FOR THE YEAR
ENDED 30 JUNE, 2022**

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

17 FEB 2023

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**THE NATIONAL TREASURY AND PLANNING
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Table of Contents	Page
1. NATIONAL TREASURY INFORMATION AND MANAGEMENT	iii
(a) Background Information	iii
(b) Key Management.....	iv
(c) Fiduciary Management	vii
(d) Fiduciary Oversight Arrangements	viii
2.1. FOREWORD BY THE CABINET SECRETARY	xii
2.2. STATEMENT BY THE PRINCIPAL SECRETARY	xvi
4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xxv
4.1. Sustainability Strategy and Profile	xxv
4.2. Environmental performance.....	xxv
4.3. Employee welfare	xxvi
4.4. Market place practices.....	xxvi
4.5. Community Engagements	xxvi
1. STATEMENT OF MANAGEMENT RESPONSIBILITIES.....	xxvii
2. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL TREASURY	xxix
3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022	1
4. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2022.....	2
5. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022.....	3
6. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
7. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	7
8. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	9
13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES (Annex 1)	11
14. SIGNIFICANT ACCOUNTING POLICIES	12
15. NOTES TO THE FINANCIAL STATEMENTS.....	18
16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS.....	26

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

At Cabinet level, the National Treasury is represented by the Cabinet Secretary for National Treasury and Planning, who is responsible for the general policy and strategic direction of the Ministry with the assistance of the Chief Administrative Secretary.

Vision

“Excellence in economic and public financial management, and development planning”.

Mission

“To provide leadership in economic and public financial management, for shared growth through formulation, implementation and monitoring of economic and financial policies”.

Core Values

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork all geared towards excellence in service delivery.

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

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

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

- Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- Issue guidelines on the preparation of county development planning;
- Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation and;
- Administer the Equalization Fund.

(b) Key Management

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Office of the Principal Secretary

The Office of the Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the accounting officer. In addition, the Principal Secretary is charged with the responsibility of providing advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility.

Organizational structure of the National Treasury

The National Treasury is organized into five (5) technical Directorates headed by Director Generals and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. In addition, the Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

- Government Accounting Services;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.
- Government Digital Payments Unit.

Directorate of Portfolio Management

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

- Government Investment and Public Enterprises;
- National Assets and Liabilities Management;

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

- Pensions Department.
- Public Investment Management Unit

Directorate of Public Debt Management Office

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

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

Directorate of Public Private Partnership Unit

The Directorate is headed by a Director General, reporting to the Principal Secretary on matters relating to Public Private Partnership.

Directorate of Administrative and Support Services (Common Shared Services)

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

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

(C) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

NO.	Designation	Name
1.	Principal Secretary	FCPA Dr. Julius Muia, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Director General, BFEA	Mr. Albert Mwenda, MBS
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Eng. Stanley Kamau , EBS
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, MBS
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje, MBS
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, MBS
13.	Deputy Internal Auditor General	Ms. Jane Micheni
14.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Director, Financial Management Information System	Mr. Stanley Kamanguya, MBS
17.	Director, National Assets and Liability Management	Mrs. Veronicah Okoth
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michel Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy & Risk Management Department	Mr. Daniel Ndolo, MBS
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Secretary Administration	Mr. Hiram Kahiro, MBS
24.	Head, Accounts Division	Mr. Nemwel Motanya
25.	Head, Finance	Mr. Ambrose Ogango

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

26.	Head, SCM	Mr. Aggrey Kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
31.	Head, Public Communications	Ms. Catherine Njoroge
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

The National Treasury has an internal Audit Unit charged with the responsibility of identifying risks in the management and day to day operations of the Ministry through the risk-based audits. The Unit reports directly to the Accounting Officer on a regular basis.

Audit Committees

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising five members, three of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

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

Project Implementation Committee

To monitor the implementation of the Government's Infrastructure Projects, the National Treasury has established a Project Steering Committee Comprising Principal Secretaries from implementing Ministries and appointed a technical committee comprising officers from the technical departments of the Ministry. The Committees review and analyse the progress made by ministries in the implementation of domestically and externally funded projects and advises accordingly.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Parliamentary Activities

In order to effectively manage the parliamentary activities relating to the Ministry, the National Treasury has established a committee and designated a liaison officer to coordinate the activities under the Office of the Cabinet Secretary in consultation with the Office of the Chief Administrative Secretary.

Development Partner Oversight

To effectively manage Official Development Assistance to the Government, the National Treasury has under the Public Debt Management a department responsible for all matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

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

Top Management Committee and Other Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of Director Generals. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Ad hoc Committees to handle specific assignments in the Financial Year 2021/22.

Public Financial Management Sector Working Group

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

Budget Implementation Steering Committee

In order to effectively monitor the implementation of the National Government budget implementation, The National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury and Planning. The Principal Secretaries for the National Treasury and State Department of Planning provide general oversight in the Budget implementation.

Budget Implementation Technical Committee

The Committee is chaired by the Principal Administrative Secretary and comprises the Director Generals and various Heads of Department. The Committee is responsible for monitoring the actual implementation of the identified measures and programmes and reporting detailed progress on the same regularly.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Budget Implementation Ministerial Committee

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

Monitoring and Evaluation

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

The National Treasury Headquarters

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

The National Treasury Contacts

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

The National Treasury Bankers

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

Independent Auditors

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

Principal Legal Adviser

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

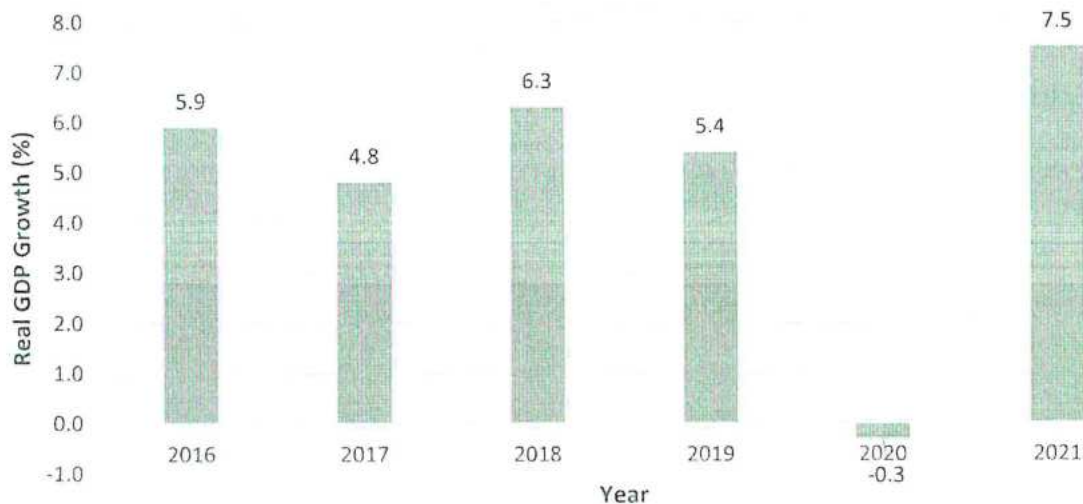
THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

2.1. FOREWORD BY THE CABINET SECRETARY

In accordance with Section 12 of the Public Finance Management Act, 2012, the National Treasury is responsible for coordinating the country's economic and financial management. Overall, the National Treasury has continued to maintain a policy environment that is conducive to economic growth and development of the country.

The Kenyan economy demonstrated remarkable resilience to the COVID-19 shock and expanded by 7.5 percent in 2021, a much stronger level from a contraction of 0.3 percent in 2020 (**Chart 1**). This economic recovery was mainly supported by the recovery in the service and industry sectors despite the subdued performance in the agricultural sector.

Chart 1: Annual Real GDP Growth Rates

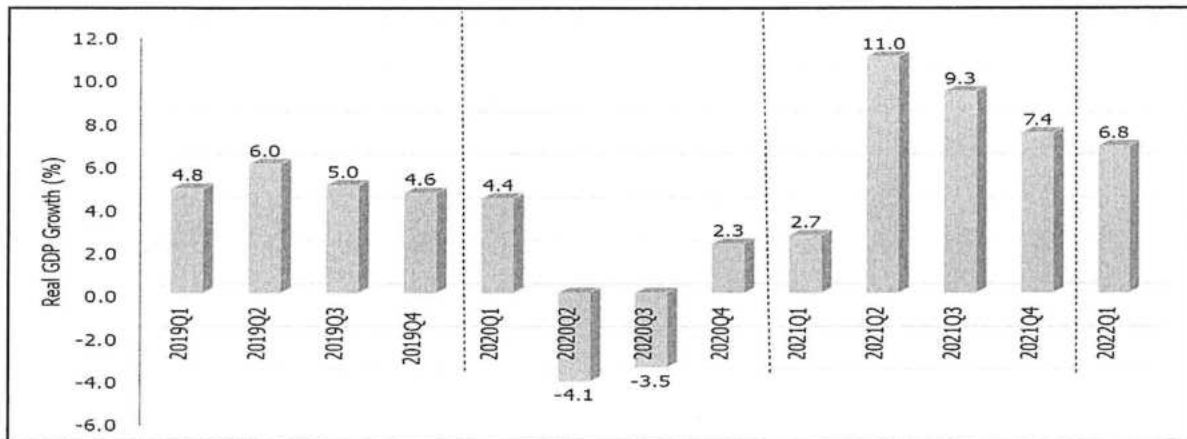


Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

In the first quarter of 2022, the economy expanded further by a remarkable 6.8 percent compared with a growth of 2.7 percent in a similar quarter in 2021 (**Chart 2**). The strong performance was supported by continued recovery in manufacturing, transport and storage, accommodation and food services, wholesale and retail trade, Professional, administration and support services and financial and insurance sectors.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Chart 2: Quarterly Real GDP Growth Rates



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

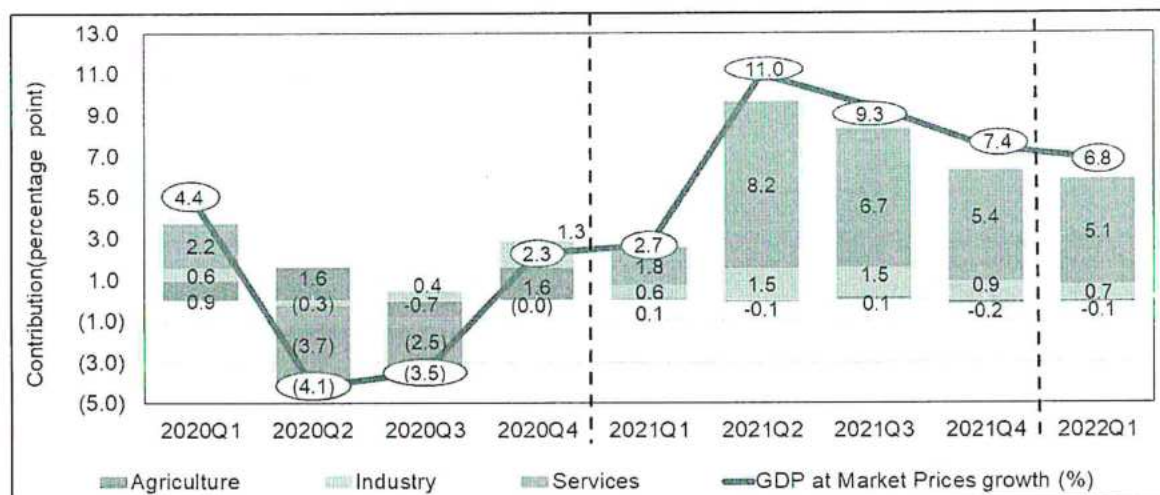
Sectoral Growth rates

Activities in agriculture, forestry and fishing sector remained subdued in the first quarter of 2022 mainly attributed to depressed rainfall during the fourth quarter of 2021 as well as delayed onset of rains during the first quarter of 2022, thereby leading to reduced agricultural production. The sector is estimated to have contracted by 0.7 percent in the first quarter of 2022 compared to 0.4 percent growth in the first quarter of 2021. The poor performance of the sector was mainly due to the significant decline in horticultural exports and tea production. The sector’s performance was however cushioned from a steeper slump by the increase in production of cane, milk, and coffee. The sector’s contribution to GDP growth was -0.1 percentage points in the first quarter of 2022 compared to 0.1 percentage points contribution in the same quarter in 2021 (**Chart 3**).

The biggest contribution to the growth was recorded in the Services Sector. The recovery of activities in the services sector continued in the first quarter of 2022. The sector grew by 9.1 percent in the first quarter of 2022 compared to a growth of 3.2 percent in the same quarter in 2021. The strong growth was largely characterized by significant recovery in transportation and Storage (8.1 percent), accommodation and food services (56.2 percent) and Professional, Administrative and Support Services (14.9 percent). The sector was also supported by strong growths in financial and insurance services (14.4 percent), and wholesale and retail trade (8.7 percent). The services sector contributed 5.1 percentage point to real GDP growth in the first quarter of 2022 compared to the 1.8 percentage point contribution in the same quarter in 2021.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Chart 3: Sectoral contributions to Real GDP Growth



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

Additionally, activities in the manufacturing sub-sector were more vibrant in the first quarter of 2022 compared to the same quarter in 2021. The sub-sector grew by 3.7 percent in the first quarter of 2022 compared to a 2.1 percent growth in 2021. The improved performance was supported by both the food and non-food components. The food component that registered substantial growth was processing of coffee while the non-food component growth was supported by substantial growth in cement production.

Inflation

The year-on-year inflation rate increased to 7.9 percent in June 2022 (slightly above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. Notwithstanding this, the increase was moderated by Government measures to stabilize fuel prices, lower electricity tariffs and subsidies on fertilizer prices. Additionally, the recent waiver of import duties and levies on white maize, the subsidy on retail prices of sifted maize flour, and the reduction in VAT on LPG will further moderate domestic prices. Overall annual average inflation remained within Government target range at 6.3 percent in June 2022 compared to the 5.3 percent recorded in June 2021.

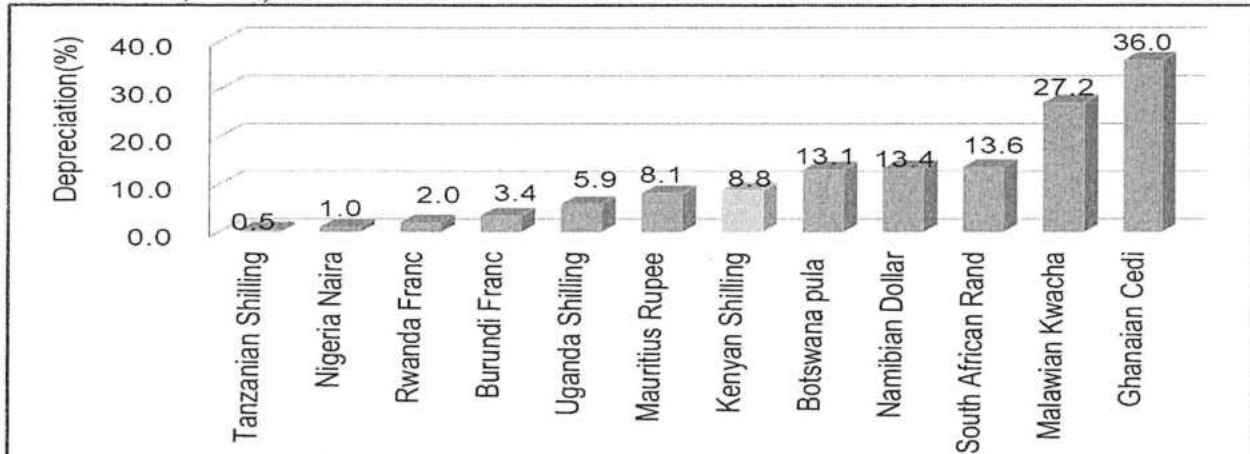
Exchange Rates

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar. The Kenya Shilling to the US Dollar exchanged at KSh. 117.3 in June 2022 compared to KSh. 107.8 in June 2021. Over the same period, the Euro exchanged at KSh. 124.1 compared to KSh. 130.1 while the Sterling Pound exchanged at KSh. 144.8 compared to KSh. 151.5.

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 8.8 percent against the US Dollar (**Chart 4**). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, Namibian Dollar, South African Rand, Malawi Kwacha and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Chart 4. Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June, 2021 to June, 2022)



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will:

1. Scale-up the COVID-19 response;
2. Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path;
3. Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and,
4. Strengthen monetary policy framework and support financial stability.

HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND PLANNING

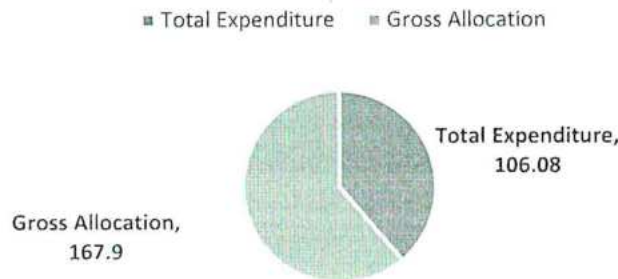
THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

2.2. STATEMENT BY THE PRINCIPAL SECRETARY
Budget performance

The National Treasury expenditure for the FY 2021/22 stood at KSh. 106.08 billion against an approved budget of KSh. 167.9 billion translating to an overall absorption rate of 63 percent as demonstrated in that pie chart below.

Chart 5: Total Allocation against Total Expenditure (KSh. Billion)

Total Allocations against Total Expenditure (KSh. Billions)



The National Treasury implemented the 2021/22 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling Business Environment, Government Clearing Services, Rail Transport and Marine Transport. The latter two programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services.

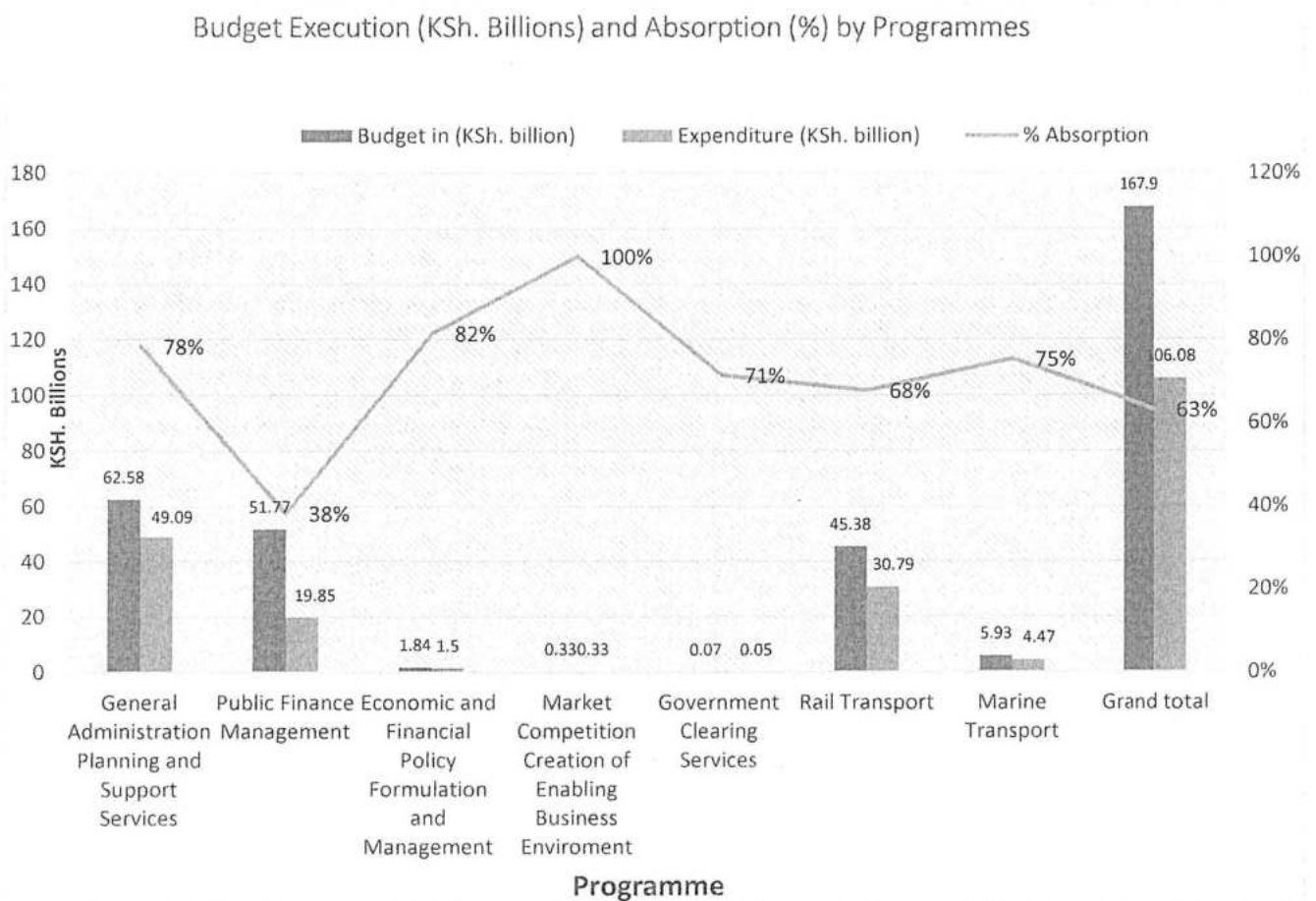
As demonstrated in the bar chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 100 percent followed by Economic and Financial Policy Formulation and Management at 82 percent, General Administration at 78 percent, Marine Transport 75 percent, Government Clearing Service at 71 percent, Rail Transport at 68 percent, and Public Financial Management at 38 percent. The 100 percent absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.

The low absorption rate in Public Financial Management programme relates to lower than anticipated execution on the following sub-programmes; Resource Mobilization, Budget Formulation, Coordination and Management, and Government Investment and Assets. The underperformance in Resource Mobilization sub-programme is attributed to a number of factors relating to implementation of externally funded projects. These include delay in granting of letter of 'no objection' from Development Partner funding Aid Effectiveness project, delay in restructuring and signing of contracts under the Infrastructure Finance for Public Private Partnerships project, lengthy procurement processes relating to Global Fund commodities, and delay in approval of County Allocation of Revenue Act 2021 to enable execution of budget under the Kenya Financing Locally-led Climate Action Programme.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Under Budget formulation sub-programme, the Equalization Fund budgetary allocation for FY 2021/22 of KSh. 6,825,317,433 was not transferred to the Equalization Fund bank account due to lack of an appropriate legal framework that enable disbursement of funds to beneficiaries counties. Under the Government Investments and Assets sub-Programme, Kenya Airways did not place a request for the transfer of KSh. 13.9 billion intially earmarked for the entity by the closure of the Financial Year.

Chart 6: Budget Execution (KSh. Billions) and proportion (%) by Programme



THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Key Achievements

Enhanced Revenue Collection

The economic recovery underway coupled with improved business environment resulted to a strong rebound in revenue collection. As at end June 2022, ordinary revenues amounted to Ksh.1.919 trillion recording an above target collection of Ksh 67.5 billion. This performance is a growth of 22.9 percent over the previous year

Other key achievements during the period under review are as follows;

- i. Developed the Draft National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy;
- ii. Developed the draft information security (PFM Systems) policy to provide guidelines for the holistic management of information security risks within PFM systems operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security;
- iii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iv. Developed the processes and procedures manual for Credit Guarantee Scheme;
- v. Mobilized over KSh. 10 billion for HIV, TB and Malaria interventions;
- vi. Developed the debt risk management framework;
- vii. Mobilized external resources amounting to Kshs.14 billion for the purposes of financing COVID 19 vaccine acquisition, procurement, deployment and other related health interventions aimed at mitigating the effects of COVID 19 Pandemic;
- viii. Developed the e- Government Procurement System.

Emerging Issues

The emerging issues that have impacted the operations of the National Treasury include;

- Transition to new Government will require re-alignment of the existing plans and strategies to accommodate Emerging Priorities under the new administration.
- Leveraging on ICT innovations in the delivery of services to the citizenry.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

- Eastern Europe Conflict: - the ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices.

Challenges

Some of the challenges the National Treasury faced while implementing the 2021/22 budget include:-

- **Inflationary pressures**

The country experienced inflationary shocks that pushed the year-on-year inflation rate above the upper bound target due to higher food and fuel prices occasioned by global increases in prices of imported commodities.

- **Shortage of Key Technical Staff**

Despite recruitment of staff across certain cadres such as Economists and Accountants, the National Treasury continues to experience staff shortage across all cadres. This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.

- Shortage of office space especially for key technical staff; and,
- Inadequate resourcing of the Monitoring and Evaluation function;

To surmount the above emerging issues and challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry undertook the following: -

- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,
- The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including:

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

- i) Subsidizing fuel pump prices;
 - ii) Waiving of taxes, fees and charges on maize and animal feeds imported into the country;
 - iii) Setting aside KSh. 3.0 billion in April-June, 2022 for a fertiliser subsidy to support farmers during the last planting season, with a further KSh. 2.7 billion set aside for the next planting season in October, 2022.
 - iv) Reducing electricity tariffs by 15 percent to lower the cost of power.
- Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions.
 - Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

- Increasing allocation to the National Treasury to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 Economic Recovery Strategy and emerging Government priorities;
- Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- Sustained implementation of succession planning, especially with respect to recruitment of key technical staff;
- Strengthening Monitoring and Evaluation Framework and capacity;
- Continued leveraging on ICT to ensure timely delivery of targets;
- Enhancing working environment and sustained refurbishment of offices to provide accommodation of staff.
- Prioritization of ongoing projects and fast tracking to ensure timely completion.

Going forward, the National Treasury will implement a risk management strategy that will identify, monitor and control risks associated to its activities. This will include government investments and cash flows, banking, money markets and capital market transactions as well as borrowing.



JULIUS M. MUIA, PhD, CBS
PRINCIPAL SECRETARY/ NATIONAL TREASURY

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

3.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. The key development objectives of the National Treasury's 2018-2022 Plan are to:

- a) Strengthen organization capacity for quality service delivery;
- b) Enhance mobilization, allocation and utilization of public resources;
- c) Ensure stable and sustainable macro-economic environment;
- d) Ensure market structures that encourage competition and orderly conduct of business;

Progress on Attainment of Strategic Development Objectives

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

MDA Program	Strategic Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services.	To enhance institutional and human resource capacity for quality delivery of services	Efficient and effective service delivery	No. of vehicles leased	3,528 security vehicles were leased for the National Police Service towards enhancing security
			Government Investments Management Information System (GIMIS)	Developed one Government Management Information System (GIMIS)
			% level of compliance to PSSS	On Boarded and maintained all Permanent and Pensionable (P&P) Public servants of age 45 years and below in the Public Service Super Annuation Scheme (PSSS)
			No. of Pension claims processed	27,117 pensions claims have been processed within 60 days of submission.
	To increase the reliability,	Increased reliability and	Annual National Budget presented	Budget presented to parliament.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
Public Financial Management	stability and soundness of the financial sector	soundness of the financial sector	to Parliament by 30th April 2022	
			Amount mobilized in KSh. (Billion)	A total of KSh. 112.1 billion worth of private capital was mobilized following private sector investments of four PPP projects. namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of PPP projects approved	Four (4) PPP projects were approved namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of Registered AGPO Enterprises	Registered 20,488 AGPO Enterprises
			No. of Strategies	Developed one Medium Term debt strategy.
			No. of VFM Audits reports	Conducted 205 Value for Money Audits due to increased requests for special audit by MDAs.
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Real GDP growth rate (%)	6.8 %
			Inflation rate (%)	7.9%
			Months of import cover	4.9 months of import cover
			% of fiscal deficit	(6.4) % of GDP
			No. of Policies	Developed the Kenya Digital Finance Policy 2022, Draft National Insurance Policy 2021, Kenya credit and Draft Guarantee Policy 2022.
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2022 & Division of Revenue Bill (DORB) 2022.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			No. of Clients accessing Agricultural Finance Corporation loans	A total of 193,516 client outreach was achieved in both wholesale and retail lending
			Value Capital injected into the Credit Guarantee Scheme (CGS) in KSh. (Billions)	The Government allocated an initial seed capital of KSh.3 billion toward the inaugural CGS for MSME. As at 31st July, 2022, the Scheme had facilitated private sector lending to the 11 sectors of the economy, as designated by CBK. MSMEs across 46 counties had benefited from credit facilities guaranteed under the Scheme. All categories of MSMEs have been able to access credit under the Scheme. During the same period, approximately KSh. 4.03 billion was lent out to target beneficiaries.
			No. of legal frameworks on financial services sector developed	38 Counties have established their County Climate Change Funds (CCCFs) and opened special purpose accounts to receive the Program Grants.
			No. of Counties with CCF operationalized for the FY 2021/22	40 counties have developed county climate change laws i.e., County Climate Change Acts and County Climate Change Fund Acts. In addition, twelve (12) counties have developed County Climate Finance Polices.
Market Competition and Creation of an	To promote and sustain competition	Sustained high productivity and	% of consumer complaints on	100% of the consumer complaints investigated and 64% Consumer cases concluded

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
Enabling Business Environment		competitive markets	competition investigated	
			% of Merger and acquisitions applications determined	97%
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection guidelines	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline
			RTP Cases concluded as a % of total Investigation	60%
			% of cases on bid rigging concluded	100%
			% Implementation of framework on consumer protection in Digital Financial Sector	100%

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The National Treasury's core values include customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Guided by the above principles, we undertaken the following:

4.1. Sustainability Strategy and Profile

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy. Some of them include; National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy; Going forward into the medium term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the Budget Policy Statement (BPS). A Debt risk Management Framework was also developed to ensure debt is maintained within sustainable levels. Towards, holistic management of information security of the PFM Systems, a draft information security (PFM Systems) policy has been developed. The Policy provides guidelines for operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security. Additionally, the National Treasury developed the processes and procedures manual for Credit Guarantee Scheme to guide in the implementation of the Scheme.

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic. stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will: Scale-up the COVID-19 response; Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path; Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and, strengthen monetary policy framework and support financial stability.

4.2. Environmental performance

The National Treasury has constituted a committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management and participated in planting trees in Machakos county thus contributing towards the 10 percent tree cover initiative.



4.3. Employee welfare

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a Department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee and Departmental Training Committees that processes all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. In addition, a committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to attract and retain competent officers, the National Treasury conducted capacity building for the staff in various technical subjects and recruited officers at the entry grade to fill skills gaps and enhance human resource capacity. In addition, the National Treasury continued to implement succession management plan by declaring vacant posts to be filled by the Public Service Commission. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

4.4. Market place practices

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. This is undertaken mainly by the Competition Authority of Kenya, a State Corporation under the National Treasury.

4.5. Community Engagements

To mitigate technological hazards, terrorism, fire and natural disasters, the National Treasury engaged a professional security services firm contracted for purposes of enhancing security in the Ministry. The National Treasury continued to improve security within the building and its environs by use of CCTV cameras installed at the Treasury Building and at the entrances and maintained firefighting facilities at the premises in collaboration with the State Department for Public Works.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

1. STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the National Treasury is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the National Treasury accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Accounting Officer charge of the National Treasury further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

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

Approval of the financial statements

The National Treasury financial statements were approved and signed by the Accounting Officer on 30th Sept. 2022.



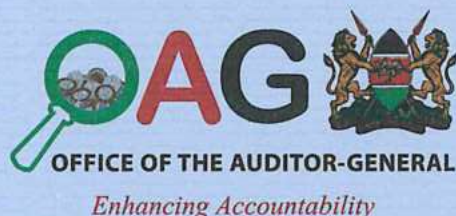
DR. JULIUS MUIA, PhD, CBS
Principal Secretary



NEMWEL M. MOTANYA
ICPAK NO. 2367
HEAD OF ACCOUNTING UNIT

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL TREASURY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The National Treasury set out on pages 1 to 27, which comprise of the statement of assets and liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and

Report of the Auditor-General on The National Treasury for the year ended 30 June, 2022

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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The National Treasury as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Expenditure Balances

The statement of receipts and payments reflects an expenditure of Kshs.1,606,952,339 in respect of acquisition of assets which, as disclosed in Note 15.12 to the financial statements, includes an amount of Kshs.9,847,738 relating to purchase of office furniture and general equipment. However, the latter amount was at a variance with the amount of Kshs.89,234,988 reflected in the Integrated Financial Management Information System (IFMIS) system payments report by an unexplained variance of Kshs.79,387,250. Similarly, the statement of receipts and payments reflects an amount of Kshs.25,026,311,607 in respect of use of goods and services which, as disclosed in Note 15.06 to the financial statements, includes an amount of Kshs.13,063,400 in respect of fuel, oil and lubricants. However, the amount of Kshs.13,063,400 was at variance with the amount of Kshs.50,091,990 computed from the fuel statements by an unexplained variance of Kshs.37,028,590.

In the circumstances, the accuracy of the expenditure of Kshs.9,847,738 incurred on purchase of office furniture and general equipment and the expenditure of Kshs.13,063,400 incurred on fuel, oil and lubricants could not be confirmed.

2. Long Outstanding Bank Reconciling Items

The statement of assets and liabilities reflects an amount of Kshs.3,657,492,025 in respect of bank balances. However, review of the bank reconciliation statement for the development bank account for the month of June, 2022, revealed that a number of reconciling items had been outstanding for a long period. The bank reconciliation statement reflected receipts of Kshs.4,839,939,398 recorded in the bank statement on 26 May, 2022 but not in the cash book. Further, the bank reconciliation statement reflected receipts in the cash book not yet recorded in the bank statement totalling Kshs.2,716,155,626 out of which receipts totalling Kshs.623,593,984 were dated between 13 May, 2020 and 02 December, 2021. No explanation was provided for failure to clear the long outstanding reconciling items.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.3,657,492,025 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis of Kshs.167,894,349,737 and Kshs.126,414,837,692 respectively resulting to an under-funding of Kshs.42,782,675,278 or 25% of the budget. Similarly, The National Treasury spent a total of Kshs.125,778,027,665 against an approved budget of Kshs.167,894,349,737 resulting to an under-expenditure of Kshs.42,116,322,072 or 26% of the budget.

The underfunding and underperformance affected the planned activities of The National Treasury and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

1. Lack of Fixed Assets Register

As previously reported, Annex 4 to the financial statements reflects a summary of fixed assets register with a historical cost of Kshs.6,570,539,354 (2021: Kshs.5,614,749,522) and which included assets valued at Kshs.955,789,832 as additions during the year under

review. However, The National Treasury did not provide an assets' register to support the assets valued at Kshs.6,570,539,354 as required by Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

2. Over-Commitment of Salary

The statement of receipts and payments reflects an expenditure of Kshs.3,192,672,341 on compensation of employees, which, as disclosed in Note 15.05 to the financial statements, includes an amount of Kshs.1,652,229,155 paid as basic salaries to permanent employees. However, review of the payroll data revealed that, during the year under review, one hundred and twenty five (125) employees earned a net salary less than one-third ($\frac{1}{3}$) of their basic salary. This was against Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that public officers shall not over-commit their salaries beyond two thirds ($\frac{2}{3}$) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

3. Non-Operational Vehicle Scanning Machines

During the financial year 2014-2015, The National Treasury awarded a contract to install modern vehicle scanning machines at the Treasury Building and Bima House to a local contractor at a cost of Kshs.164,510,341. The contract entailed the supply of three (3) handheld advanced, explosive, trace, particulate and vapor detectors at a cost of Kshs.16,882,502. However, none of the scanners or detectors were in operation at the time of the audit in the month December, 2022.

In the circumstances, it was not possible to confirm whether The National Treasury obtained value for money from the expenditure of Kshs.16,882,502 incurred on the project.

4. Failure to Implement the Public E-Procurement System

Review of procurement processes in government corporations and other public procuring entities revealed that, by the time of their respective audits, the entities' procurement processes had not been linked with the Integrated Financial Management Information System (IFMIS) as per Executive Order No. 2 of 2018. The Order had directed that by 01 January, 2019, The National Treasury was to facilitate seamless integration of all public procurement entities to the Integrated Financial Management Information System (IFMIS) and that by that same date, all Public Procuring entities undertake all their procurement through the e-procurement module. Most of the non-complying procuring entities have blamed The National Treasury for failing to create the integration platform.

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

5. Unauthorized Staff Over-Establishment

Review of The National Treasury staff establishment revealed that thirty-nine (39) positions with no authorized establishment had ninety-two (92) members of staff in-post. Similarly, forty-five (45) positions with an authorised establishment of four hundred and sixty-six (466) members of staff had one thousand and sixty-one (1,061) staff members in-post, exceeding the approved establishment by five hundred and ninety-five (595) staff members as listed in **Appendix I** and **Appendix II**, respectively.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing The National Treasury's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting

unless Management is aware of the intention to terminate The National Treasury or to cease operations.

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

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

Those charged with governance are responsible for overseeing The National Treasury's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with The National Treasury policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The National Treasury's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause The National Treasury to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of The National Treasury to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

14 February, 2023

Appendix I – Staff Over Establishment

No	Designation	Department	Authorised Establishment	In-post	Excess Establishment
1	Director of Planning	Budget, Fiscal & Economic Affairs	0	1	1
2	Director of Planning	Macro & Fiscal Affairs Dept	0	3	3
3	Chief Economist-	Financial & Sectoral Affairs Department	0	1	1
4	Principal Economist	Financial & Sectoral Affairs Department	0	1	1
5	Senior Economist I	Inter-Governmental Fiscal Relations	0	9	9
6	Economist [2]		0	1	1
7	Director of Planning	Financial & Sectoral Affairs Department	0	2	2
8	Senior Chief Finance Officer	Financial & Sectoral Affairs Department	0	2	2
9	Deputy Director of Budget	Financial & Sectoral Affairs Department	0	1	1
10	Chief Economist	Financial & Sectoral Affairs Department	0	1	1
11	Principal Economist	Financial & Sectoral Affairs Department	0	1	1
12	Senior Economist I	Financial & Sectoral Affairs Department	0	8	8
13	Senior Deputy Director of Budget	Inter-Governmental Fiscal Relation	0	1	1
14	Director of Planning	Inter-Governmental Fiscal Relations	0	1	1
15	Principal Economist	Inter-Governmental Fiscal Relations	0	3	3
16	Senior Economist I	Inter-Governmental Fiscal Relations	0	4	4
17	Economist [2]	Inter-Governmental Fiscal Relations	0	1	1
18	Senior Supply Chain Management Assistant	Public Procurement Department	0	2	2
19	Principal Economist	Preferences and Reservations Secretariat	0	1	1
20	Director of Planning	Resource Mobilization	0	5	5
21	Chief Economist	Resource Mobilization	0	2	2
22	Principal Economist	Resource Mobilization	0	6	6

No	Designation	Department	Authorised Establishment	In-post	Excess Establishment
23	Principal Monopolies Officer	Resource Mobilization	0	1	1
24	Senior Economist I	Resource Mobilization	0	7	7
25	Economist I	Resource Mobilization	0	1	1
26	Principal Economist	Debt Policy, Strategy & Risk Management Dept	0	6	6
27	Director Parastatal Reforms - Structure	Government Investment & Public Enterprise	0	1	1
28	Director Parastatal Reforms - Financial	Government Investment & Public Enterprise	0	1	1
29	Chief Economist	Government Investment & Public Enterprise	0	2	2
30	Principal Economist	Government Investment & Public Enterprise	0	1	1
31	Senior Economist I	Government Investment & Public Enterprise	0	1	1
32	Senior Deputy Director Budget	Pensions Department	0	1	1
33	Assistant Director - HRM	Pensions Department	0	3	3
34	Senior Economist I	Public Private Partnership	0	2	2
35	Economist I	Public Private Partnership	0	1	1
36	Senior Deputy Director- ICT	ICT Unit	0	1	1
37	Senior Public Communication Officer	Public Communication Unit	0	1	1
38	Public Communication Assistant I	Public Communication Assistants	0	2	2
39	Principal Driver I	Drivers	0	3	3
		Total	0	92	92

Appendix II – Staff Over Establishment - Cadres Exceeding Approved Establishment

No	Designation	Authorised Establishment	In -post	Excess Establishment
1	Senior Deputy Director - Budget	3	4	1
2	Assistant Director - Budget	6	12	6
3	Finance Officer [3]/[2]	10	13	3
4	Senior Economist [1]	3	4	1
5	Senior Deputy Director - Supply Chain Management Services	2	3	1
6	Supply Chain Management Officer [2]/[1]	5	7	2
7	Senior Deputy Accountant General	2	5	3
8	Deputy Accountant General	9	14	5
9	Principal Accountant	24	27	3
10	Accountant [1]	7	56	49
11	Deputy Internal Auditor-General	10	16	6
12	Senior Assistant Internal Auditor General [1]	50	53	3
13	Principal Pensions Officer	14	20	6
14	Pensions Officer II/I	50	57	7
15	Senior Pensions Assistant	14	23	9
16	Assistant Accountant-General	2	3	1
17	Assistant Secretary	2	5	3
18	Assistant Director - HRM & D	2	5	3
19	HRM & D Officer [1]	2	4	2
20	HRM Assistant [3]/[2]	2	4	2
21	Assistant Director - Records Management	1	4	3
22	Records Management Officer [1]	7	19	12
23	Senior ICT Officer	11	18	7
24	ICT Officer [1]	7	13	6
25	Senior Library Assistant	1	2	1
26	Assistant Director - Public Communication Services	1	2	1
27	State Counsel [2]/[1]/Senior	1	2	1
28	Public Communication Assistant II	3	7	4
29	Senior Supply Chain Management Officer	2	4	2
30	Supply Chain Management Assistant [1]	1	5	4
31	Supply Chain Management Assistant [2]	5	7	2
32	Senior Assistant Internal Auditor General [1]	2	5	3
33	Senior Internal Auditor	2	3	1
34	Assistant Director Office Administrative Services	2	7	5
35	Senior Assistant Office Administrator	38	52	14
36	Senior Office Administrative Assistant	5	41	36

No	Designation	Authorised Establishment	In -post	Excess Establishment
37	Office Administrative Assistant [1]	9	23	14
38	Principal Clerical Officer	20	31	11
39	Chief Clerical Officer	22	154	132
40	Senior Clerical Officer	30	133	103
41	Clerical Officer [1]	50	88	38
42	Chief Driver	10	12	2
43	Assistant Security Officer	3	4	1
44	Artisan Grade [2] - Building	1	2	1
45	Cleaning Supervisor [1]	13	88	75
	Total	466	1,061	595

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	15.01	9,375,951,514	10,796,655,959
Exchequer releases	15.02	85,799,492,852	84,791,601,100
Proceeds from Foreign Borrowings	15.03	160,187,514	117,456,323
Other Receipts	15.04	31,079,205,812	253,649,270
TOTAL RECEIPTS		126,414,837,692	95,959,362,652
PAYMENTS			
Compensation of Employees	15.05	3,192,672,341	2,817,958,932
Use of goods and services	15.06	25,026,311,607	26,166,355,876
Subsidies	15.07		500,000,000
Transfers to Other Government Entities	15.08	91,709,187,761	41,817,810,035
Other grants and transfers	15.10	4,234,853,899	5,417,514,306
Social Security Benefits	15.11	8,049,718	24,655,798
Acquisition of Assets	15.12	1,606,952,339	19,356,211,675
Other Payments	15.13		0
TOTAL PAYMENTS		125,778,027,665	96,100,506,622
SURPLUS/DEFICIT		636,810,027	(141,143,970)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sept 2022 and signed by:



DR. JULIUS MUIA, PhD, CBS
Principal Secretary



NEMWEL M. MOTANYA
ICPAK NO. 2367
HEAD OF ACCOUNTING
UNIT

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

4. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	15.14A	3,657,492,025	3,603,756,274
Cash balances	15.14B	2,824,672	243,087
Total Cash and Cash equivalent		3,660,316,697	3,603,999,361
Accounts Receivables	15.15	1,790,939,597	1,165,654,971
Total financial assets		5,451,256,294	4,769,654,332
FINANCIAL LIABILITIES			
Accounts Payables	15.16	3,647,916,738	3,598,836,479
Net financial assets		1,803,339,556	1,170,817,853
REPRESENTED BY			
Fund balance b/fwd	15.17	1,170,817,853	1,473,937,480
Prior year adjustment	15.18	(4,288,324)	(161,975,656)
Surplus/Deficit for the year		636,810,027	(141,143,971)
NET FINANCIAL POSITION		1,803,339,556	1,170,817,853

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th sept. 2022 and signed by:



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THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

5. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

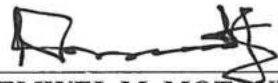
		2021-2022	2020 -2021
		Kshs	Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	15.01	9,375,951,514	10,796,655,958
Exchequer Releases	15.02	85,799,492,852	84,791,601,100
Other Receipts	15.04	31,079,205,812	253,649,270
Total receipts		126,254,650,178	95,841,906,328
Payments for operating expenses			
Compensation of Employees	15.05	3,192,672,341	2,817,958,932
Use of goods and services	15.06	25,026,311,607	26,166,355,876
Subsidies	15.07		500,000,000
Transfers to Other Government Units	15.08	91,709,187,761	41,817,810,035
Other grants and transfers	15.1	4,234,853,899	5,417,514,306
Social Security Benefits	15.11	8,049,718	24,655,798
Sub totals		124,171,075,326	76,744,294,947
Net cash flow before adjustments		2,083,574,854	19,097,611,381
Adjusted for:			
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable	15.19	(625,284,626)	(276,192,712)
Increase/(Decrease) in Accounts Payable	15.2	49,080,259	3,511,988,410
Prior Year Adjustments	15.18	(4,288,324)	(161,975,656)
Net cash flow from operating activities		1,503,082,163	22,171,431,421
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	15.12	(1,606,952,339)	(19,356,211,675)
Net cash flows from Investing Activities		(1,606,952,339)	(19,356,211,675)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	15.03	160,187,514	117,456,323
Net cash flow from financing activities		160,187,514	117,456,323
NET INCREASE IN CASH AND CASH EQUIVALENT		56,317,338	2,932,676,070
Cash and cash equivalent at BEGINNING of the year	15.14	3,603,999,361	671,323,290
Cash and cash equivalent at END of the year	15.14	3,660,316,697	3,603,999,361

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

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NEMWEL M. MOTANYA
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6. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c
RECEIPTS						
Proceeds from Domestic and Foreign Grants	20,481,842,464		20,481,842,464	9,375,951,514	12,409,054,183	46%
Exchequer releases	102,402,081,199	10,148,915,768	112,550,996,967	85,799,492,852	26,751,504,115	76%
Proceeds from Foreign Borrowings	316,696,000		316,696,000	160,187,514	156,508,486	51%
Other Receipts	34,544,814,306		34,544,814,306	31,079,205,812	3,465,608,494	90%
TOTAL RECEIPTS	157,745,433,969	10,148,915,768	167,894,349,737	126,414,837,692	42,782,675,278	75%
PAYMENTS						
Compensation of Employees	10,042,966,915	(6,843,477,814)	3,199,489,101	3,192,672,341	6,816,760	100%
Use of goods and services	25,030,149,820	3,091,646,008	28,121,795,828	25,026,311,607	3,095,484,221	89%
Transfers to Other Government Units	112,046,338,071	15,127,843,731	127,174,181,802	91,709,187,761	35,464,994,041	72%
Other grants and transfers	4,417,514,306	5,500,000	4,423,014,306	4,234,853,899	188,160,407	96%
Social Security Benefits	45,828,343		45,828,343	8,049,718	37,778,625	18%
Acquisition of Assets	4,162,636,514	767,403,843	4,930,040,357	1,606,952,339	3,323,088,018	33%
Other payments	2,000,000,000	(2,000,000,000)	0			
TOTAL PAYMENTS	157,745,433,969	10,148,915,768	167,894,349,737	125,778,027,665	42,116,322,072	75%
Surplus/ Deficit		0	0	636,810,027	(636,810,029)	

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

- (a) Under collection in ALA -Delay in procurement of consultant services to develop a completion report of the project caused the under expenditure by the end of the financial year*
- (b) Use of goods and services – The under payment was as a result of ordered goods and services not being received by the closure of financial year hence payment could not be made.*
- (c) Acquisition of assets – the under expenditure was as a result of austerity, measures under taken to curtail spending on equipment and challenges in procurement process led to underutilization of funds allocated during the year.*
- (d) Social Security Benefits – some of the officers who were expected to be due for gratuity payments during the year had their contracts extended.*
- (e) Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- (f) Proceeds from Foreign Borrowings – the signing of contracts with partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing*

The entity financial statements were approved on 30th Sept. 2022 and signed by:



DR. JULIUS MUIJA, PhD, CBS
Principal Secretary



NEMWEL M. MOTANYA
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*THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.*

7. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	3,019,300,000		3,019,300,000			
Exchequer releases	50,022,673,777	1,634,479,826	51,657,153,603	50,185,088,174	1,472,065,429	97%
Other receipts	4,367,514,306	55,500,000	4,423,014,306	4,234,853,899	188,160,407	96%
TOTAL RECEIPTS	57,409,488,083	1,689,979,826	59,099,467,909	54,419,942,073	1,676,873,410	91%
PAYMENTS						
Compensation of Employees	9,982,332,198	(6,834,010,437)	3,148,321,761	3,143,251,716	5,070,045	99%
Use of goods and services	12,876,035,195	3,434,251,614	16,310,286,172	15,578,792,777	731,493,395	96%
Transfers to Other Government Units	30,046,325,694	4,933,058,490	34,979,384,184	30,895,123,430	4,084,260,754	88%
Other grants and transfers	4,417,514,306	5,500,000	4,423,014,306	4,234,853,899	188,160,407	96%
Social Security Benefits	45,828,343		45,828,343	8,049,718	37,778,625	18%
Acquisition of Assets	41,452,347	151,180,159	192,633,143	156,028,792	36,604,351	81%
TOTAL PAYMENTS	57,409,488,083	1,689,979,826	59,099,467,909	54,016,100,333	5,083,367,576	91%
Surplus/Deficit				403,841,740		

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Notes

- (a) Acquisition of assets – the under expenditure was as a result of austerity, measures under taken to curtail spending on equipment*
- (b) Social Security Benefits – some of the officers who were expected to be due for gratuity payments during the year had their contracts extended.*
- (c) Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*

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THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

8. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	17,462,542,464	0	17,462,542,464	9,375,951,516	12,409,054,183	54%
Exchequer releases	52,379,407,422		60,893,843,364	35,614,404,679	25,279,438,685	58%
Proceeds from Foreign Borrowings	316,696,000	0	316,696,000	160,187,514	156,508,486	51%
Other receipts	30,177,300,000	-55,500,000	30,121,800,000	26,844,351,913	3,277,448,087	89%
TOTAL RECEIPTS	100,335,945,886	8,458,935,942	108,794,881,828	71,994,895,621	41,122,449,442	66%
PAYMENTS						
Compensation of Employees	60,634,717	-9,467,377	51,167,340	49,420,625	1,746,715	97%
Use of goods and services	12,154,114,625	-342,605,606	11,811,509,019	9,447,518,830	2,398,910,271	80%
Subsidies						
Transfers to Other Government Units	82,000,012,377	10,194,785,241	92,194,797,618	60,814,064,331	34,839,401,820	66%
Acquisition of Assets	4,121,184,167	616,223,684	4,737,407,851	1,450,923,547	3,286,484,304	31%
Other Payments	2,000,000,000	-2,000,000,000	0	0	0	66%
TOTAL PAYMENTS	100,335,945,886	8,458,935,942	108,794,881,828	71,761,927,333	40,526,543,110	
Surplus/Deficit				232,968,288		

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

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- (b) Use of goods and services – The under payment was as a result of ordered goods and services not being received by the closure of financial year hence payment could not be made.*
- (c) Transfers to Other Government Units – the signing of contracts with partner took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing.*
- (d) Acquisition of assets – The under expenditure was as a result of austerity, measures undertaken to curtail spending on equipment*
- (e) Proceeds from Foreign Borrowings – the signing of contracts with partners took longer than expected. Further, most of our implanting partners didn't achieve the pegged burn rate to enable transfers and proceeds from borrowing*

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UNIT

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES (Annex

1)

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2022		2022	2022	
	Kshs	Kshs	Kshs	Kshs	Kshs
General Admin. Planning and support services	62,578,842,210		62,578,842,210	56,715,483,633	5,863,358,577
Public Financial Management	51,768,733,207		51,768,733,207	26,977,819,878	24,790,913,329
Economic & financial policy formulation and Mgt	1,837,247,612		1,837,247,612	1,614,942,301	222,305,311
Market Competition	332,100,000		332,100,000	329,128,619	2,971,382
Government Clearing Services	67,933,231		67,933,231	47,396,431	20,536,800
Rail Transport	45,375,493,477		45,375,493,477	35,629,256,804	9,746,236,673
Marine transport	5,934,000,000		5,934,000,000	4,464,000,000	1,470,000,000
Total	167,894,349,737		167,894,349,737	125,778,027,665	42,116,322,072

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

14. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

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

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the National Treasury for all the years presented.

a) Recognition of Receipts

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

i) Tax Receipts

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

ii) Transfers from the Exchequer

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

iii) External Assistance

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

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2022, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

iv) Other receipts

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

b) Recognition of payments

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

i) Compensation of Employees

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

ii) Use of Goods and Services

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

iii) Interest on Borrowing

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

iv) Repayment of Borrowing (Principal Amount)

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

v) Acquisition of Fixed Assets

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

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

5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the National Treasury includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Third Party Payments

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

7. 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.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

a) Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2022, this amounted to Kshs.3,647,916,738 compared to Kshs 218,450,037 in prior period as indicated. There were no other restrictions on cash during the year.

8. Accounts Receivable

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

9. Accounts Payable

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

10. Pending Bills

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

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2021 for the period 1st July 2021 to 30th June 2022 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

13. 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 30th June 2022.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented. During the year, errors that have been corrected are disclosed under note explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

16. Contingent Liabilities

Section 148 (9) of the PFM Act regulations 2015 requires the Accounting officer of a National Government entity to report on the payments made, or losses incurred, by the National Government entity to meet contingent liabilities as a result of loans during the financial year.

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The *National Treasury* 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.

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15. NOTES TO THE FINANCIAL STATEMENTS

15.01: Proceeds from Domestic and Foreign Grants

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2021-2022	2020-2021
				Kshs	Kshs
Study and Capacity Building				15,827,126	9,075,750
Global Fund HIV/AIDS				3,763,454,034	9,041,280,199
Global Fund Malaria				750,690,460	1,627,977,187
Global Fund TB				514,596,306	118,322,822
Malaria NFM3				143,665,670	
HIV NFM3				4,179,181,794	
TB NFM3				8,536,126	
Total				9,375,951,514	10,796,655,958

15.02: Exchequer Releases

Description	2021-2022	2020-2021
	Kshs	Kshs
Total Exchequer Releases for quarter 1	18,314,377,976	12,543,080,581
Total Exchequer Releases for quarter 2	14,162,258,785	15,414,121,810
Total Exchequer Releases for quarter 3	20,400,122,854	13,378,151,551
Total Exchequer Releases for quarter 4	32,922,733,237	43,456,247,158
Total	85,799,492,852	84,791,601,100

15.03: Proceeds from Foreign Borrowings

	2021-2022	2020-2021
	Kshs	Kshs
Foreign Borrowing – Drawdowns Through Exchequer	0	0
Foreign Borrowing - Direct Payments	160,187,514	117,456,323
Foreign Currency and Foreign Deposits	0	0
Other foreign accounts payable	0	0
Total	160,187,514	117,456,323

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15.04: Other Receipts

Description	2021-2022	2020-2021
	Kshs	Kshs
Direct receipt from AU Subscription	4,234,853,899	253,649,270
SGR	26,844,351,913	
Total	31,079,205,812	253,649,270

This development vote bank balance carried forward

15.05: Compensation of Employees

	2021-2022	2020-2021
	Kshs	Kshs
Basic salaries of permanent employees	1,652,229,155	1,647,383,253
Basic wages of temporary employees	122,414,914	148,200,461
Personal allowances paid as part of salary	1,418,028,272	1,022,375,218
Total	3,192,672,341	2,817,958,932

15.06: Use of Goods and Services

	2021-2022	2020-2021
	Kshs	Kshs
Utilities, Supplies and Services	144,289,454	143,675,645
Communication, supplies and services	37,506,914	11,959,275
Domestic travel and subsistence	154,918,852	86,661,133
Foreign travel and subsistence	51,121,153	28,494,048
Printing, advertising and information supplies & services	15,115,717	22,619,877
Rentals of produced assets	27,479,460	38,864,345
Training expenses	108,414,514	53,392,949
Hospitality supplies and services	452,221,745	310,986,211
Insurance costs	3,883,463,447	3,002,262,873
Specialized materials and services	7,582,580,609	10,008,528,374
Office and general supplies and services	121,259,339	18,783,834
Fuel Oil and Lubricants	13,063,400	12,093,193
Other operating expenses	12,400,281,803	12,398,968,915
Routine maintenance – vehicles and other transport equipment	18,634,230	16,220,397
Routine maintenance – other assets	15,960,969	12,844,809
Total	25,026,311,607	26,166,355,878

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15.07: Subsidies

Description	2021-2022	2020-2021
	Kshs	Kshs
Subsidies to Public Corporations/Institutions*		
Agriculture Finance Corporation		500,000,000
TOTAL		500,000,000

15.08: Grants and Transfers to Other Government Entities

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of government	30,895,123,430	26,992,185,165
Capital grants to government agencies and other level of government	55,680,979,504	7,410,741,716
Other Current transfers grants and subsidies	0	22,092,500
Other Capital Grants and Trans	5,133,084,827	7,392,790,654
TOTAL	91,709,187,761	41,817,810,035

15.09: Transfers to self – reporting entities in the year

Description	Recurrent	Development	Total	2020-2021
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs	27,846,620,631	51,650,104,864	79,496,725,495	33,992,543,277
Transfers to Projects-GoK counterpart funding)		8,072,788,281	8,072,788,281	7,825,266,758
Non reporting	2,894,082,545		2,894,082,545	
TOTAL	30,740,703,176	59,722,893,145	90,463,596,321	41,817,810,035

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15.10: Other Grants and Transfers

Explanation	2021-2022	2020-2021
	Kshs	Kshs
Membership dues and subscriptions to international organizations	3,641,324,773	4,772,514,748
Membership dues and subscriptions to international organizations(Continued)	593,529,126	644,999,558
Total	4,234,853,899	5,417,514,306

15.11: Social Security Benefits

Explanation	2021-2022	2020-2021
	Kshs	Kshs
Government pension and retirement benefits	8,049,718	24,655,7980
Total	8,049,718	24,655,798

15.12: Acquisition of Assets

Non -Financial Assets	2021-2022	2020-2021
	Kshs	Kshs
Construction of Buildings	0	
Refurbishment of Buildings	247,734,538	213,982,768
Overhaul and Refurbishment of Construction and Civil Works	136,401,747	99,999,730
Purchase of Vehicles and Other Transport Equipment	99,041,510	177,330,330
Purchase of Household Furniture and Institutional Equipment	0	
Purchase of Office Furniture and General Equipment	9,847,738	2,939,267
Purchase of Specialized Plant, Equipment and Machinery	204,656,878	64,335,589
Research, Studies, Project Preparation, Design & Supervision	258,107,421	229,572,508
Sub-total	955,789,832	788,160,192
Financial Assets		
Domestic Public Non-Financial Enterprises	0	
Domestic Equity Participation	67,000,000	18,077,614,878
Foreign Equity Participation	584,162,508	490,436,605
Sub-total	651,162,508	18,568,051,483
Total	1,606,952,339	19,356,211,675

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15.13: Other Expenses

	2021-2022	2020-2021
	Kshs	Kshs
Capital Transfer to Public Financial Institution and Enterprises	0	0
Total	0	0

15.14A: Bank Accounts

Name of Bank, Account No. & currency	Indicate whether recurrent, Development, deposit e.t.c	2021-2022	2020-2021
		Kshs	Kshs
TNT Recurrent CBK A/C No. 1000181467	Recurrent	8,905,068	631,471
Development CBK A/C No. 1000181664	Development	670, 219	4,288,324
Deposit CBK A/C No. 1000182137	Deposit	97,664,524	218,450,637
Deposit CBK A/C No. 1000205024	Deposit	3,550,252,214	3,380,385,842
Total		3,657,492,025	3,603,756,274

15.14 B: Cash in Hand

	2020-2021	2019-2020
	Kshs	Kshs
Cash in Hand – Held in domestic currency	2,824,672	243,087
Total	2,824,672	243,087

15.15: Accounts Receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Advance to MDAs and Projects	1,789,203,407	1,164,229,081
Government Imprests	865,076	
Cash in transit		

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Salary advances	871,114	1,385,885
District suspense	NIL	40,005
Clearance accounts		
Total	1,790,939,597	1,165,654,971

15.16: Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	97,664,524	59,478,396
Deposits/PDL	3,550,252,214	3,539,358,083
Total	3,647,916,738	3,598,836,479

15.17: Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	3,603,756,274	670,932,773
Cash in hand	243,087	390,518
Accounts Receivables	1,165,654,971	889,462,258
Accounts Payables	(3,598,836,479)	(86,848,069)
TOTAL	1,170,817,853	1,473,937,480

15.18: Prior Year Adjustments

	Balance b/f FY 2021/2022 as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	4,288,324		(15,747,925)
Accounts Payables			(216,440,355)
Receivables (AIA)			70,212,624
Total	4,288,324		161,975,656

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

15.19: (Increase)/ Decrease in Receivable

	2021-2022	2020-2021
	Kshs	Kshs
Receivables as at 1 st July 2021	1,165,654,971	889,462,258
Receivables as at 30 th June 2022	1,790,939,597	1,165,654,971
Increase)/ Decrease in Receivables (c=(b-a))	625,284,626	276,192,713

15.20: Increase/ (Decrease) in Accounts Payable

	2021-2022	2020-2021
	Kshs	Kshs
Payables as at 1 st July 2021	3,598,836,479	86,848,069
Payables as at 30 th June 2022	3,647,916,738	3,598,836,479
Increase/ (Decrease) in payables	49,080,259	3,511,988,410

15.21: Related Party Disclosures

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

The following comprise of related parties to the National Treasury

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

Related party transactions:

	2021-2022	2020-2021
	Kshs	Kshs
Key Management Compensation	218,287,676	218,287,676
Sub total	218,287,676	218,287,676
<u>Transfers to related parties</u>		
Transfers to other MDAs		

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Transfers to SCs and SAGAs	79,496,725,495	33,992,543,277
Transfers to Development Project	8,072,788,281	7,825,266,758
Transfers to other non -reporting government entities	2,894,082,545	
Total Transfers to related parties	90,463,596,321	41,817,810,035
<u>Purchase of Goods and Services</u>		
Purchase of electricity from KPLC	144,289,454	143,675,645
Rent charges paid to govt. agencies	27,479,460	38,864,345
Training fees paid to govt agencies	108,414,514	53,392,949
Conference facilities hired from govt. agencies	452,221,745	310,986,211
Others	24,258,986,352	25,619,436,726
Total goods and services paid to govt. agencies	24,991,391,525	26,166,355,876
<u>Transfers from related parties</u>		
Transfers from the Exchequer	85,799,492,852	84,791,601,100
Transfers from other MDAs		
Total Transfers from related parties	85,799,492,852	84,791,601,100

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

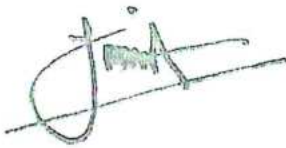
16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

PARAGRAPH NO. AND TITLE	RECOMMENDATIONS BY PAC	ACTION TAKEN
3. THE NATIONAL TREASURY REPORT ON THE FINANCIAL STATEMENTS FOR VOTE 1071 1. Accuracy of the Financial statements	The Accounting Officer has ensured reconciliation and the Financial Statements/General ledger balances as at 30 th June, 2020 agree with the IFMIS Generated Financial Statements Notes. The explanation by the Accounting Officer was satisfactory and the Committee therefore resolved the matter.	No Action is required from The National Treasury
2. Long outstanding Reconciling items	The Accounting officer agreed with the audit findings. However, the amount has now been posted in the cashbook cleared from the bank reconciliation. The explanation by the Accounting officer was satisfactory and the Committee therefore resolved the matter.	Long outstanding Reconciling items have been reconciled and presented for audit review and matter settled.
3. Pending bills	Accounting officer must at all times ensure that pending bills are listed as first charge in subsequent financial year when preparing estimates of expenditure and revenues of the entity in conformity with the strategic plan pursuant to the provisions of section 68(2) (h) of the Public Finance Management Act,2012.	The Accounting officer has ensured that pending bills in any financial year are avoided at all cost and where pending bills are unavoidable, they form the first charge in the budget of the subsequent year.
4. Refurbishment of the National Treasury Building 4.2 Refurbishment works of 6 th and 7 th floor, Treasury building	Accounting officer's submission that the contractor was issued with instructions on 17 th June 2020 by the project manager to include other items totaling to	No action required from the National Treasury

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

	Kshs. 800,000.00 was satisfactory and therefore the Committee therefore resolved the matter.	
4.3 pending bills payment of contract for the supply, installation, testing and commissioning of baggage Scanners, walk through scanners, hand-held metal Detectors and associated works	The Accounting officer ensure that a maintenance contract for the baggage scanner put in place and the machine serves its intended purpose. The Auditor-General to review the working status of the machine and report in the subsequent Audit cycle.	The sourcing of the maintenance contract for the baggage scanner is in process
5. Failure to provide Assets Register for Audit	Within three months of adoption of this report, the Accounting officer provide to the Auditor-General verifiable steps taken by the National treasury to maintain asset register for the project. The Auditor-General undertake a review and report to the National Assembly in the subsequent audit reporting cycle.	The National Treasury is in liaison with the Department of National Asset and Liability Management towards implementation of specific guidelines issued with the aim of coming up with an updated fixed asset register for the National Treasury.



DR. JULIUS MUIA, PhD, CBS
Principal Secretary



NEMWEL M. MOTANYA
ICPAK NO. 2367
HEAD OF ACCOUNTING
UNIT

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2020/2021	Additions during the year 2021/2022 (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2021/22
Buildings and structures	1,004,215,259				1,004,215,259
Refurbishment of buildings	213,982,767	247,734,538			461,717,305
Transport equipment	159,762,550	0			159,762,550
Office equipment, furniture and fittings	410,565,267	9,847,738			420,413,005
Overhaul of construction and civil work	138,535,690	136,401,747			274,937,437
Household furniture and institutional equipment	627,500				627,500
Purchase of specialised plant, machinery and equipment	2,430,879,696	204,656,878			2,635,536,574
Research, studies, project preparation, design	988,862,015	258,107,421			1,246,969,436
Purchase of motor vehicles	267,318,778	99,041,510			366,360,288
Sub-Total	5,614,749,522	955,789,832			6,570,539,354
FINANCIAL ASSETS					
Domestic equity participation	20,396,247,666	67,000,000			20,463,247,666
Foreign equity participation	7,770,892,038	584,162,508			8,355,054,546

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Asset class	Historical Cost b/f (Kshs) 2020/2021	Additions during the year 2021/2022 (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2021/22
Domestic Lending and on Lending	33,090,542,610				33,090,542,610
Sub-Total	61,257,682,314	651,162,508			61,908,844,822
Total	66,872,431,836	1,606,952,339			68,479,384,176

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Global Fund HIV/AIDS	Control of Mobility and Mortality attributable to Malaria in the epidemiological zones	Principal Secretary	Prepared their Accounts
2	Global Fund TB	To expand the physical infrastructure for the delivery of TB/HIV service by strengthen primary health care facilities	Principal Secretary	Prepared their Accounts
3	Global Fund Malaria	To have 100% diagnosed Malaria patient receiving effective treatment by 2019	Principal Secretary	Prepared their Accounts
4	Public Financial Management Reforms	To strengthen public financial management system to enhance Transparency, Accountability and Responsiveness of expenditure to policy priorities and improved service delivery	Principal Secretary	Prepared their Accounts
5	Profit Programme	The rural finance outreach and innovation	Principal Secretary	Prepared their Accounts
6	KEPTAP	To strengthen the capacity of GOK to manage its Petroleum Sector and Wealth for Sustainable Development Impacts	Principal Secretary	Prepared their Accounts
7	Micro Finance	Promote the Financial Deepening in the Banking Sector in order to ensure the access to credit by the non banking population of Kenya	Principal Secretary	Prepared their Accounts
8	Infrastructure FPP Project	To increase Private Investments in the Kenya Infrastructure market	Principal Secretary	Prepared their Accounts
9	Financial Sector Support Project	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access ro and provision of affordable and long-term financing	Principal Secretary	Prepared their Accounts

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
10	Technical Support Programme	Financing of feasibility studies for project to be financed by AFD	Principal Secretary	Prepared their Accounts
11	Study & Capacity Building	To strengthen health professionals existing clinical expertise	Principal Secretary	Prepared their Accounts
12	Financing Locally led Climate Action Programme	To finance locally led climate action program	Principal Secretary	Prepared their Accounts
13	Green Climate Fund Readiness Programme	Provides grants and technical assistance to National Designated Authorities	Principal Secretary	Prepared their Accounts
14	EA Regional Trade & Transport Facilitation Programme	To improve the movement of goods and people between Kenya and South Sudan, in general	Principal Secretary	Prepared their Accounts
15	Horn of Africa Gateway Development Project	To improve the movement of people and goods and digital connectivity and access to social services	Principal Secretary	Prepared their Accounts
16	Public Debt Management Support Project	To finance technical assistance and capacity building activities to address capacity and knowledge	Principal Secretary	Prepared their Accounts
17	Kenya Affordable Housing Project	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
18	Single Widow Support Project	A vision enabling solution	Principal Secretary	Prepared their Accounts
19	Regional Integration Implementation Programme	To enhance Uganda's capacity to integrate and harness regional economic opportunities presented by COMESA	Principal Secretary	Prepared their Accounts
20				

THE NATIONAL TREASURY AND PLANNING
Annual Report and Financial Statements
For the year ended 30, June 2022.

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Kenya Revenue Authority	Revenue Collection			N/A
2	Competition Authority of Kenya	To control monopoly power and dominance in the Specific Market			
3	Unclaimed Asset Authority	Management of Unclaimed Financial Assets			
4	Pension Fund	Managing Pension Fund			
5	Public Procurement Oversight Authority	Regulatory role in Public Procurement			
6	Kenya Institute of Supplies Management	Conducting training for Supplies Officers			
7	Kenya Trade Network				
8	Public Privatization Commission	Regulatory Body			

