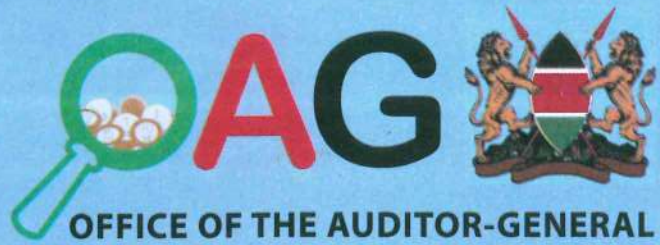


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

THE NATIONAL TREASURY

FOR THE YEAR ENDED

30 JUNE, 2024





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
★ 31 DEC 2024 ★
NATIONAL TREASURY OFFICE
TREASURY BUILDING



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

**FOR THE FINANCIAL YEAR ENDED
30th JUNE 2024**

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

The National Treasury
Annual Report and Financial Statements for the year ended 30th June 2024

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1. ACRONYMS AND GLOSSARY OF TERMS

AGPO:	Access to Government Procurement Opportunities
A-in-A	Appropriations in Aid
BETA:	Bottom-Up Economic Transformation Agenda
CARB:	County Allocation of Revenue Bill
CCF:	Climate Change Fund
CGS:	Credit Guarantee Scheme
CSD:	Central Securities Depository
DORB:	Division of Revenue Bill
IPSAS:	International Public Sector Accounting Standards (IPSAS)
IRMF:	Institutional Risk Management Framework
KRA:	Key Result Areas
MCDAs:	Ministries, Counties, Departments and Agencies
MDAs:	Ministries, Departments and Agencies
MSME:	Micro, Small and Medium Enterprises
NIFC:	Nairobi International Financial Centre
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Security Fund
PFM:	Public Finance Management
PSSS:	Public Service Superannuation Scheme
RK-FINFA:	Rural Kenya Financial Inclusion Facility
RTPs:	Restrictive Trade Practices
SACCOs:	Saving and Credit Cooperative Organizations
SAGAs:	Semi-Autonomous Government Agencies
VFM:	Value for Money

2. NATIONAL TREASURY INFORMATION AND MANAGEMENT

a) Background Information

The National Treasury was established vide the Executive Order No. 1 of 2023. The basis for establishment of the National Treasury is found in Article 225 (1) 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 Economic Planning, who is responsible for the general policy and strategic direction of the Ministry.

Vision

“Excellence in economic and public finance management, and development planning for Kenya’s socio-economic transformation”.

Mission

“To provide leadership in prudent economic and public finance management and development planning through formulation, implementation and monitoring of policies for Kenya’s inclusive growth”.

Core Values

The National Treasury is guided by the following **STRICT** core values:

- Stakeholder participation;
- Transparency and accountability;
- Results oriented;
- Integrity;
- Customer focus;
- Teamwork and commitment;

Mandate of the National Treasury

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Order No.2 of 2023. The National Treasury exercises its mandate in consistency with any other legislation as developed or reviewed by Parliament from time to time.

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

- i. Overall Economic Policy Management;
- ii. Management of Public Finance;
- iii. Formulation of National Budget;
- iv. Public Debt Management;
- v. Formulation and Maintenance of Government Accounting Standards;
- vi. Bilateral and Multilateral Financial Relations;
- vii. Capital Markets Policy;
- viii. Oversight over Revenue Collection;
- ix. Competition Policy Management; National Pensions Policy Management;
- x. Insurance Policy and Regulation;

- xi. Public Procurement and Disposal Policy;
- xii. Public Investment Policy and Oversight;
- xiii. Development and Enforcement of Financial Governance Standards;
- xiv. Financial Sector Analysis and Management including SACCOs, NSSF and NHIF;
- xv. Financial Institutions Oversight;
- xvi. Management of National and County Governments Financial Management System and Standards;
- xvii. Development of Kenya as an International Financial Centre;
- xviii. Anti-Money Laundering Policy;
- xix. Custodian of National Government Assets and Properties; and
- xx. Secretariat to Intergovernmental Budget and Economic Council.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to: -

- i. Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- ii. Issue guidelines on the preparation of county development planning;
- iii. Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- iv. Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- v. Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- vi. 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
- vii. Administer the Equalization Fund.

(b) Key Management

The National Treasury's day-to-day management is bestowed on following key offices.

Office of the Principal Secretary

The Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the Accounting Officer and Authorized Officer. In addition, the Principal Secretary is charged with the responsibility of advising the Cabinet Secretary on policy, technical and administrative functions in the National Treasury.

Organizational Structure of the National Treasury

The National Treasury is organized into five (5) technical Directorates headed by Directors General and one (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a

cluster of Departments responsible for related policy functions. In addition, the National Treasury has two independent departments namely Public Procurement and Internal Auditor General, headed by Directors and a Public Finance Management Secretariat headed by a Programme Coordinator. 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:

- (a) Budget Department;
- (b) Macro and Fiscal Affairs Department;
- (c) Financial and Sectoral Affairs Department; and
- (d) 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:

- (a) Government Accounting Services;
- (b) Information Financial Management Systems (IFMIS);
- (c) National Sub-County Treasuries; and
- (d) Government Digital Payments Unit.

Directorate of Public Investment and Portfolio Management

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

- (a) Government Investment and Public Enterprises;
- (b) National Assets and Liabilities Management;
- (c) Parastatal Reforms;
- (d) Pensions Department; and
- (e) Public Investment Management.

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:

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

Directorate of Public Private Partnership

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 ten (10) 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:

The National Treasury

Annual Report and Financial Statements for the year ended 30th June 2024

Accounting;

- (a) Finance;
- (b) Human Resource Management and Development;
- (c) Central Planning and Project Monitoring;
- (d) Supply Chain Management;
- (e) Legal;
- (f) Public Communications;
- (g) General Administration;
- (h) Internal Audit; and
- (i) ICT.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangara
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Ag. Internal Auditor General	Ms. Jane Micheni
14.	Director, Government Accounting Services Department	Mr. Jona Wala
15.	Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Ag. Director, Integrated Financial Management Information System	Mr. Mboni Kyallo
17.	Director, National Assets and Liability Management	Mr. Geoffrey Malombe
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Ag. Director, Public Investment Management Unit	Mr. Jonah Ourumoi
22.	Ag. Director, Resource Mobilization Department	Mr. David Komen
23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
25.	Director Administration	Mr. Elijah Song'ony
26.	Director Accounting Service/Head, Accounts Division	Mr. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Senior Deputy Director/Head, SCMU	Mr. Caleb Ogot

29.	Deputy Internal Auditor General/Head, Internal Audit Unit	Ms. Lucy Mugwe
30.	Principal State Counsel, Legal Unit	Ms. Faith Pesa
31.	Director, Human Resource Management and Development	Mr. Benson Giuthua
32.	Director, Information Communication and Technology	Ms. Lynn Nyongesa
33.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
34.	Director, Public Communications Unit	Mr. Godfrey Isiya
35.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett

(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:

i. 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 of 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.

i. Public Finance Management Committees

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 Economic Planning. The Principal Secretaries for the National Treasury and State Department for Economic Planning provide general oversight in the Budget implementation.

Budget Implementation Technical Committee

The Committee is chaired by the Principal Administrative Secretary and comprises the Directors General 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.

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.

ii. Top Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior Management Committee comprising of Directors General. The Committee receives reports from departments, build 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 2023/24.

iii. Other oversight activities

Other fiduciary oversight arrangements include the following committees with specific objectives:-

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.

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.

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.

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.

The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC)

The National Treasury 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 Monitoring and Evaluation Technical Committee (NTPMEC) is a dedicated technical committee which was established by PS/NT on 28th May, 2024 to

The National Treasury
Annual Report and Financial Statements for the year ended 30th June 2024

mainstream PM&E practices within the National Treasury and ensure effective oversight and evaluation of fiscal policies, budgetary allocations, and public investments. The Committee is mandated to enhance the efficiency, transparency, and accountability of the planning, budgeting, financial management, and M&E practices within the National Treasury. It aims to provide systematic oversight, evaluation, and evidence-based recommendations for functional and operational efficiency and realization of intended strategic outcomes.

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
Office of the Auditor General
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

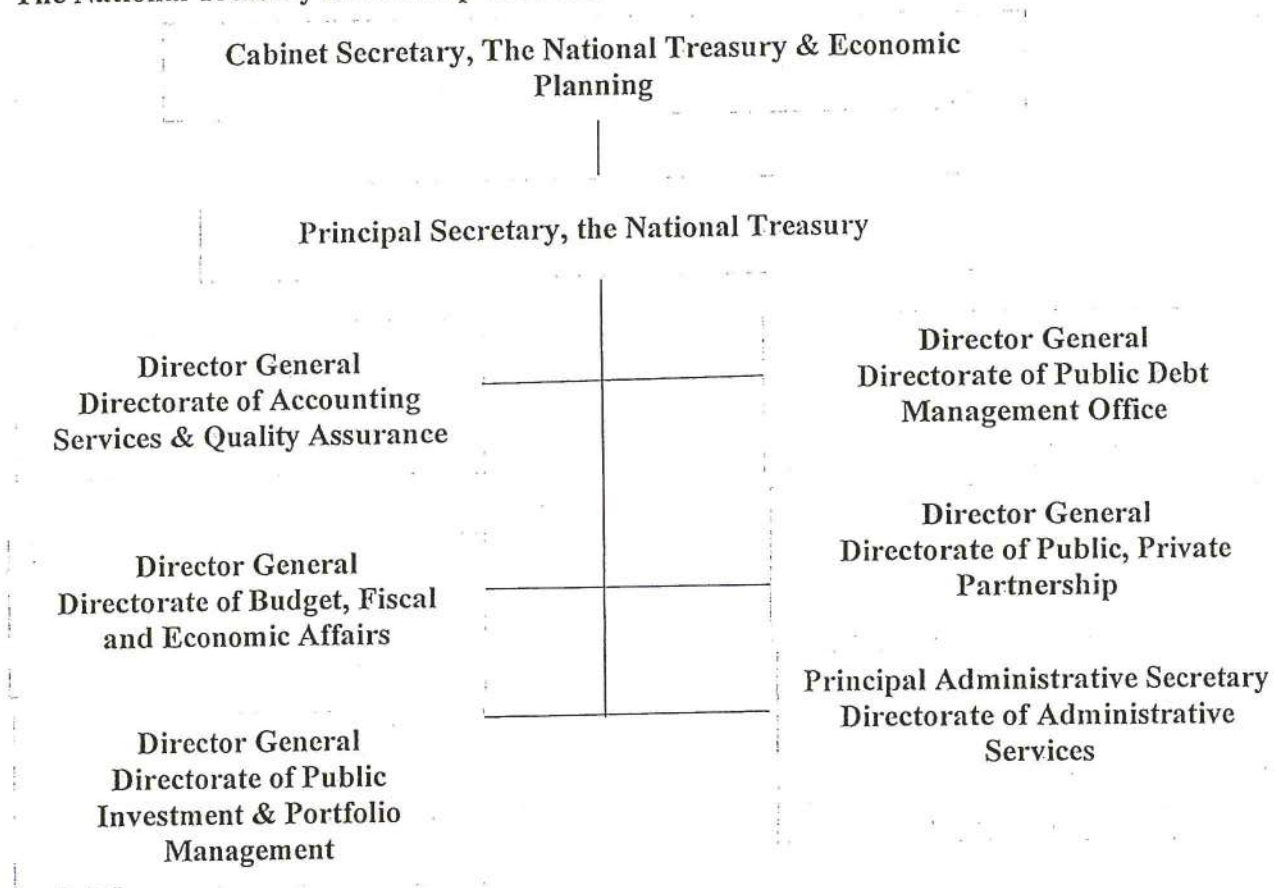
3. STATEMENT OF GOVERNANCE

(i) Brief of Key Leadership Structure

The National Treasury and Economic Planning is divided into two entities: The National Treasury and State Department for Economic Planning. It is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

At the top management level, the National Treasury is headed by the Principal Secretary who is the accounting officer and is responsible to the Cabinet Secretary in the performance of his duties. The National Treasury has six Directorates headed by Director Generals and a Principal Administrative Secretary who is responsible for Administration and Support Services.

The National Treasury Leadership Structure



(ii) Management Committees Established and Their Roles

The National Treasury has appointed managements committees to monitor the implementation of programmes, projects and report on their performance. They include:

Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and Directors General. The Committee receives reports from departments, build consensus on

National Treasury responds to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner.

(iii) The Audit Committee

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which three are independent. The members were appointed on 15th December, 2022.

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations. The Committee is active and meets on a quarterly basis to deliberate on their functions.

(iv) Risk Management, compliance, conflict of interest

The National Treasury appointed risk champions who have been trained. The processes of developing a risk management framework have commenced.

(v) Recent Trainings and development in governance for those in key leadership

The National Treasury supported those in key leadership positions to attend leadership and strategic management courses at the Kenya school of Government and other reputable international institutions.

(vi) Public participation activities

The National Treasury underscores the importance for public participation as provided for under the Constitution of Kenya and Public Finance Management (PFM) Act, 2012 by giving Kenyans opportunities to interrogate proposed amendments to the PFM Act, 2012 and make submissions on their views for consideration in policy making and implementation so as to strengthen and deepen good governance. The National Treasury carried out Public Sector Hearings for the Proposed Budget for the FY 2022/23 and the medium term by holding both physical meetings and virtual hearings. In addition, it carried out five (5) public participations in all regions in the country on the proposed Privatization Bill, 2023. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at settling debt anchored in line with international best practices.

(vii) Compliance with laws and regulations

The National Treasury complies with the Constitution of Kenya, all applicable laws and regulations in line with acceptable national and international standards as well as its internal policies.

In order to enhance compliance to existing legislations and regulations, the National Treasury, through the Legal Unit has lined up a series of interventions to be progressively implemented. To begin with, in the FY 2023/24, the National Treasury being a data recipient and a data controller, initiated efforts to ensure compliance to the Data Protection Act 2019 and the right to privacy as per Article 31 of the Constitution. The effort entailed undertaking a precursor training on data protection for auditees. The training benefited thirty-six (36) the National Treasury staff as part of the steps for comprehensive legal and regulatory compliance audit.

The next step will involve undertaking legal and regulatory compliance of the Public Finance Management and Regulations in the FY 2024/25 and thereafter compliance audit.

4. STATEMENT 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.

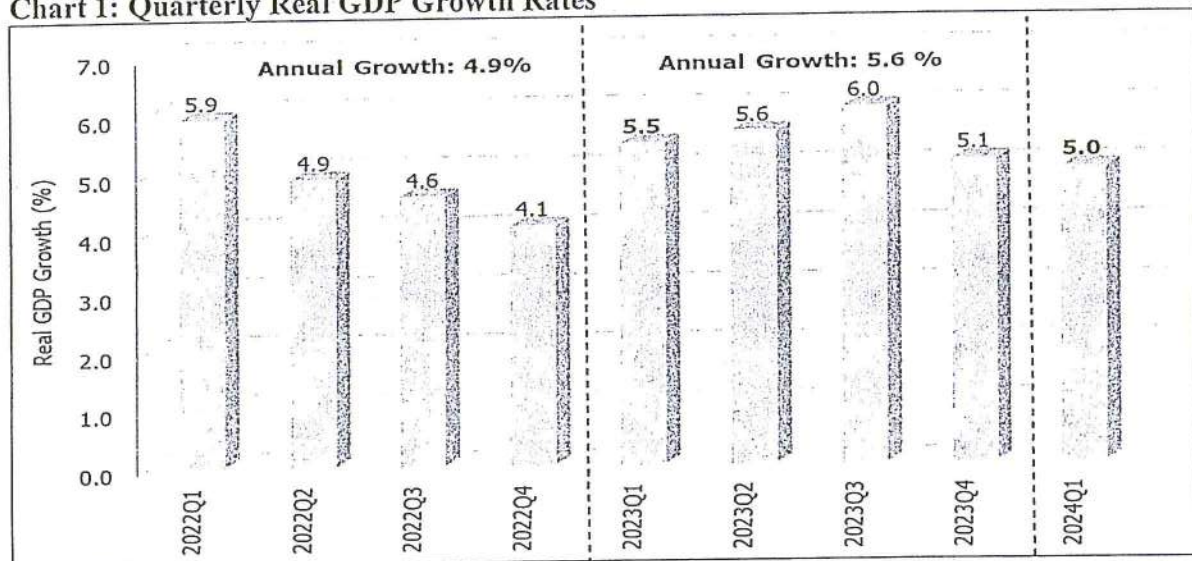
The FY 2023/24 marked the second year following the transition from the previous administration to the current one. The FY 2023/24 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

Economic Growth

The economy grew by 5.6 percent in 2023 up from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth in 2023 is above the pre-pandemic average of 4.7 percent per year for the period between 2011-2019. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. However, manufacturing and wholesale and retail trade subsectors slowed down.

This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023 (Chart 1). The growth is largely driven by strong growth in agriculture supported by favorable weather conditions and government interventions. Additionally, services sector remained resilient with real estate, financial & insurance, ICT and accommodation & food services supporting the growth.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

The primary sector grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023 (Table 1). The performance of the sector was attributed to favorable weather conditions as well as government interventions that led to enhanced production. The performance was evident in the significant increase in production of tea, milk and sugarcane during the quarter under review. However, the sector's performance was somewhat curtailed by decline in exports of coffee, fruit and cut flowers.

Mining and quarrying sub-sector contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda Ash and gemstone.

Industrial sector performance remained subdued, with growth of the sector slowing down to 1.1 percent in the first quarter of 2024 from a growth of 2.5 percent in a similar quarter of 2023. This was mainly on account of a decline in activities in all its sub-sectors i.e. the manufacturing, electricity & water supply and construction subsectors.

Manufacturing sub-sector expanded by 1.3 percent in the first quarter of 2024 compared to 1.7 percent growth in the corresponding quarter of 2023. In the manufacture of food products, growth was supported by tea and dairy processing despite the decline in soft drink production. In the manufacture of non-food products, cement production declined. Electricity and water supply sub-sector also recorded a decelerated growth of 2.4 percent in the first quarter of 2024 compared to a growth of 3.7 percent in the corresponding quarter of 2023. The sector's growth was supported by an increase in hydroelectric power generation and a decrease in thermal power generation.

Activities in the construction sub-sector registered a decelerated growth of 0.1 percent, down from the 3.0 percent growth recorded in the first quarter of 2023. The slowdown was reflected in the decline in the volume of cement consumption and imported bitumen. However, the volume of iron and steel imported increased during the review period.

The activities in the services sector continued to sustain strong growth momentum in the first quarter of 2024 and grew by 6.2 percent compared to a growth of 6.5 percent in a similar period in 2023. The performance was largely characterized by significant growths in: accommodation and food service; financial and insurance; information and communication; real estate and wholesale and retail trade sub-sectors. Accommodation and food service activities sustained the growth momentum that started in the 2022 recovery from the effects of COVID-19 pandemic even though this growth was slower compared to the corresponding quarter of 2023. The sub-sector grew by 28.0 percent compared to a growth of 47.1 percent recorded in the first quarter of 2023. The growth was evidenced by a significant increase in the number of visitor arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA).

Financial and insurance sub-sector grew by 7.0 percent in the first quarter of 2024 compared to 5.9 percent in the corresponding quarter of 2023 while information and communication subsector grew by 7.8 percent compared to a growth of 9.5 percent, over the

same period. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

Activities in Transportation and Storage sub-sector slowed down to a growth of 3.8 percent in the first quarter of 2024 compared to a growth of 6.6 percent in a corresponding period in 2023. The growth in the sector was mainly supported by increased activities in Mombasa Port throughout and an increase in the number of international passenger arrivals and departures. However, growth in the sector was curtailed by a decline in the number of passengers transported via Standard Gauge Railway (SGR). Consumption of light diesel which is a key input to land transportation also declined during the period.

Table 1: Sectoral Real GDP Growth rate (Percent)

Sectors	Annual Growth Rates		Quarterly Growth Rates	
	2022	2023	2023 Q1	2024 Q1
1. Primary Industry	(0.8)	5.6	5.3	5.0
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	6.1
1.2. Mining and Quarrying	9.3	(6.5)	(11.0)	(14.8)
2. Secondary Sector (Industry)	3.5	2.5	2.5	1.1
2.1. Manufacturing	2.6	2.0	1.7	1.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.4
2.3. Construction	4.1	3.0	3.0	0.1
3. Tertiary sector (Services)	6.6	6.8	6.5	6.2
3.1. Wholesale and Retail trade	3.5	2.7	2.9	4.9
3.2. Accommodation and Restaurant	26.8	33.6	47.1	28.0
3.3. Transport and Storage	5.8	6.2	6.6	3.8
3.4. Information and Communication	9.0	9.3	9.5	7.8
3.5. Financial and Insurance	12.0	10.1	5.9	7.0
3.6. Public Administration	5.1	4.6	7.6	5.8
3.7. Others	5.3	6.1	5.7	5.9
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.9
Real Estate	4.5	7.3	7.3	6.6
Education	5.2	3.1	2.0	4.0
Health	3.4	4.9	5.1	5.5
Taxes less subsidies	6.7	2.2	3.0	4.7
Real GDP	4.9	5.6	5.5	5.0

Source of Data: Kenya National Bureau of Statistics

The Government undertook reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

In the FY 2023/24, the fiscal balance (on commitment basis and excluding grants) amounted to KSh.952.9 billion (5.9 percent of GDP) against a targeted deficit of KSh. 963.5 billion (6.0 percent of GDP). The fiscal balance (on a commitment basis and including grants) stood at 5.8 percent of GDP against a target deficit of 5.7 percent of GDP.

Total revenue collection by the end of June 2024, amounted to KSh. 2,702.7 billion against a target of KSh. 2,907.5 billion. The revenue was below target by KSh. 204.9 billion on account of shortfalls recorded in both ordinary revenue and ministerial A-I-A. Total revenue inclusive of the ministerial A-I-A grew by 14.5 percent, an increase from a growth of 7.3 percent recorded in June 2023. Ordinary revenue collection was KSh.2,288.9 billion against a target of KSh.2,576.8 billion, KSh.287.8 billion below the target.

The ministerial A-I-A collected was below target by KSh.57.1 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs' A.I.A through the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh.66.1 billion against a target of KSh.66.5 billion.

The total expenditure and net lending for the period under review amounted to KSh.3,655.6 billion, against a target of KSh.3,971.5 billion. The resultant under expenditure of KSh.215.5 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments. Recurrent expenditure for National Government amounted to KSh.2,644.6 billion (excluding KSh. 59.7 billion for Parliament and Judiciary) against a target of KSh.2,716.9 billion leading to a below target expenditure of KSh.72.7 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and pension payments.

Inflation

The overall year-on-year inflation is under control and within the Government target range of 5 ± 2.5 percent. Inflation declined to 4.6 percent in June 2024 from 7.9 percent in June 2023, due to easing of food and energy prices (Chart 2). The appreciating Shilling produced a strong pass-through effect of lowering domestic prices supported by a tight monetary policy stance. Additionally, interventions by Government in providing subsidized fertilizer and seeds continue to lower the cost of food production, and revitalize agricultural production.

Chart 2: Inflation Development

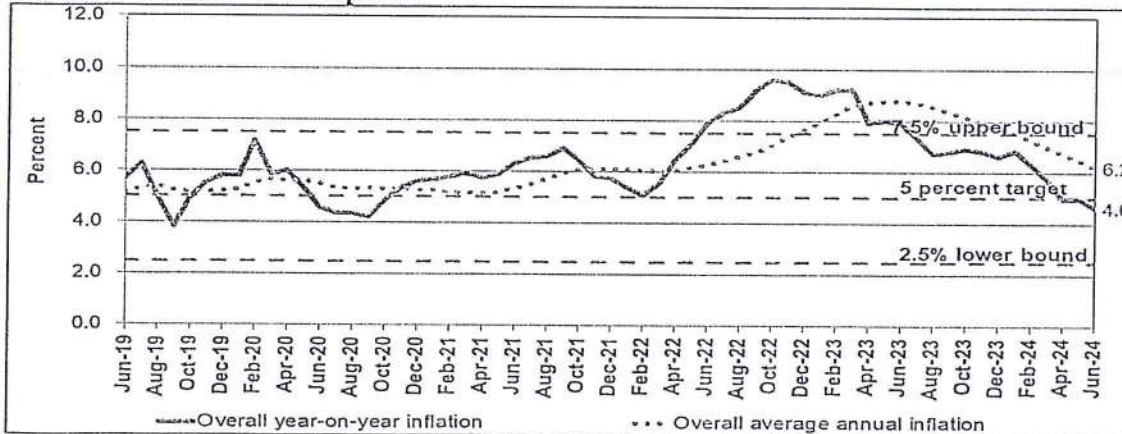
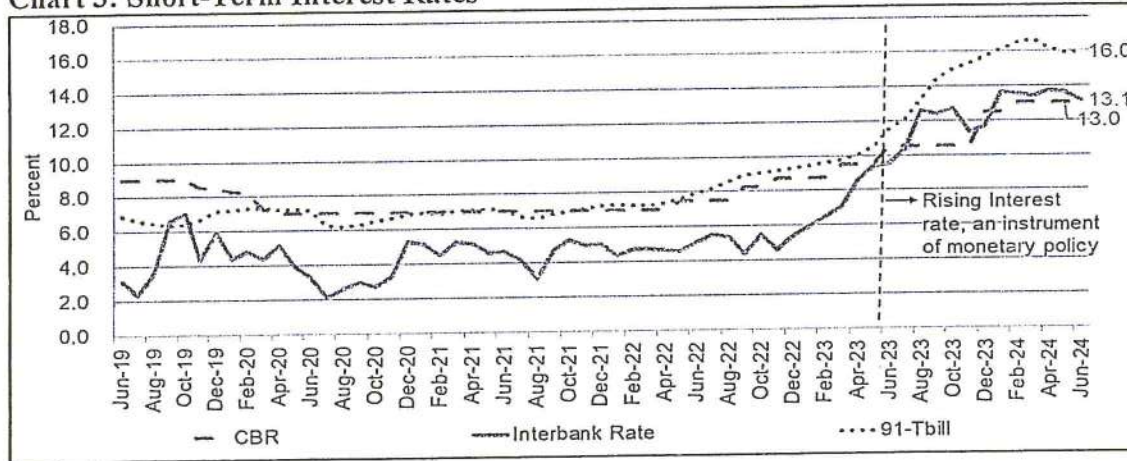


Chart 3: Short-Term Interest Rates



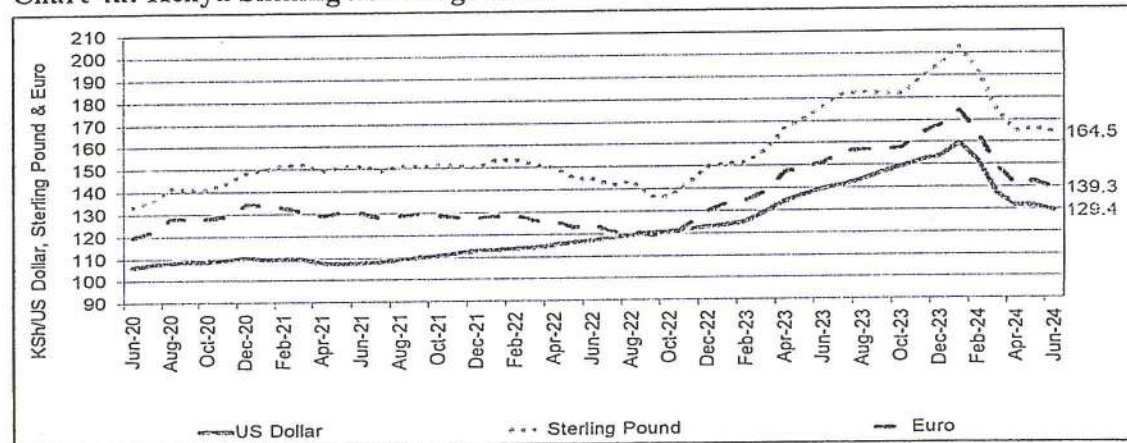
Source of Data: Central Bank of Kenya

Exchange Rates

The Kenya Shilling exchange rate has stabilized against major international currencies. By end June 2024, the exchange rate against the US dollar was KSh.129.4 compared to KSh.160.8 by end January 2024, an appreciation of 19.0 percent. Against the Euro, the Kenya shilling also strengthened by 20.1 percent to exchange at KSh.139.3 by end June 2024 compared to KSh.174.3 by end January 2024 while against the Sterling Pound the Kenyan Shilling strengthened by 18.9 percent to exchange at KSh.164.5 compared to KSh.202.9, over the same period (Chart 4a).

Through the repayment of the 2024 Eurobond, the Government successfully removed the investor uncertainty and market perception improved significantly. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

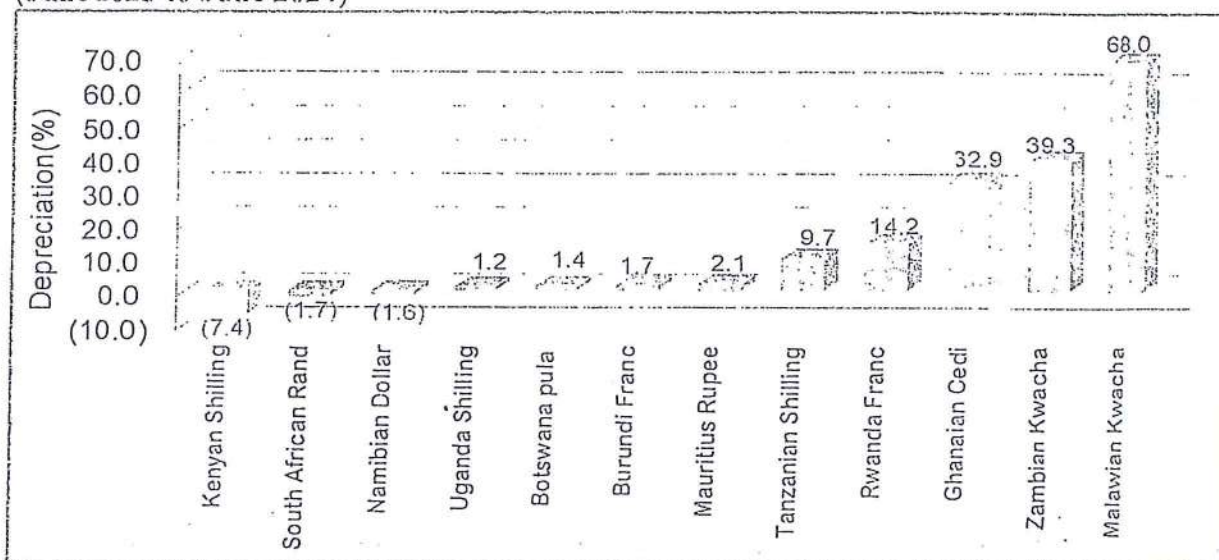
Chart 4a: Kenya Shilling Exchange Rate



Source of Data: Central Bank of Kenya

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low amid high demand for the US dollar in the international markets. The Kenya Shilling strengthened against the US Dollar at a rate of 7.4 percent in the 12 months to June 2024 compared to depreciations of 19.1 percent in the 12 months to June 2023 (Chart 4(b)). The stability of the Kenyan Shilling was supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts. Majority of other Sub-Saharan Africa Currencies depreciated during the same period, particularly: Rwanda Franc, Ghanaian Cedi, Zambian Kwacha and Malawian Kwacha had double-digit depreciation rates (chart 4b).

Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2023 to June 2024)



Source of Data: National Central Banks

Pending Bills

The total outstanding national government pending bills as at 30th June, 2024 amounted to KSh.516.3 billion. These comprise of KSh.379.8 billion (73.6 percent) and KSh.136.5 billion (26.4 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (71.5 percent) belong to Contractor/Development Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of the historical ones.

The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. This is being undertaken through the Pending Bills Verification Committee Gazetted in September 2023. In the FY 2024/25 all MDAs are expected to clear all the expenditure carryovers from FY 2023/24 as a first charge before payment of commitments in the current financial year.

Bottom-Up Economic Transformation Agenda (BETA)

MDAs will continue to be required to prioritize allocations towards the achievement of the BETA priorities while addressing the policy, legal, regulatory, and governance issues as a matter of priority to ensure optimal use of resources in execution of the planned interventions. BETA is geared towards economic turn around and inclusive growth and aims to increase investments in at least five sectors with high potential impact on the economy as well as household welfare.

These include: -

- i. Agricultural Transformation;
- ii. Micro, Small and Medium Enterprise (MSME);
- iii. Housing and Settlement;
- iv. Health care; and
- v. Digital superhighway and Creative Industry.

Fiscal policy for f/yr 2024/2025 and the medium-term budget aims to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation will be supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government has embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that will further strengthen tax revenue mobilization efforts over the medium term.

Signature.....



Date.....

12/9/2024

HON. CPA JOHN MBADI, EGH
CABINET SECRETARY

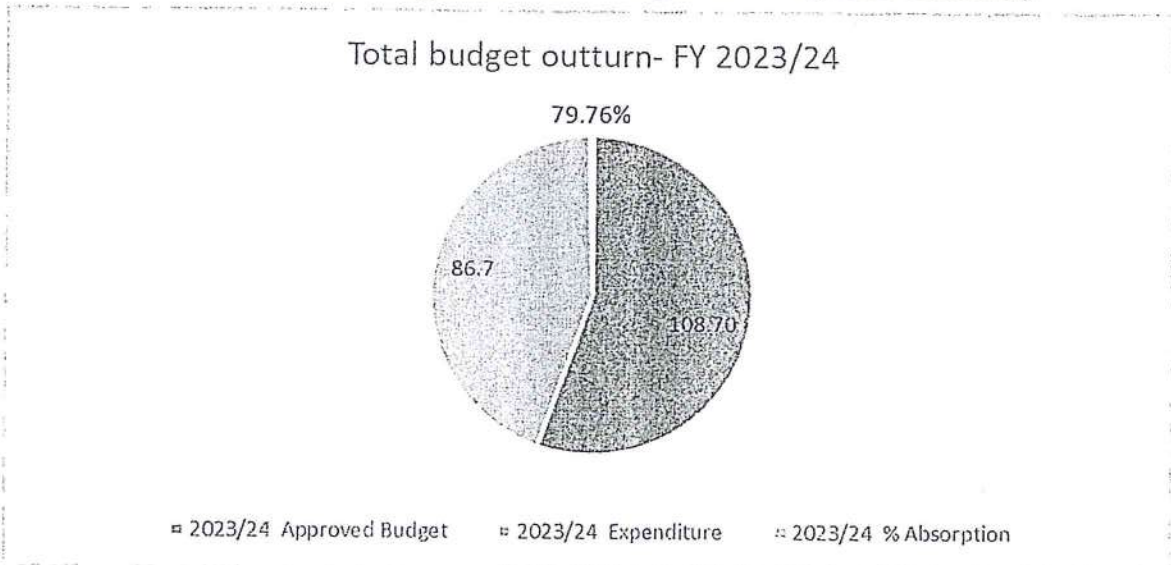
THE NATIONAL TREASURY AND ECONOMIC PLANNING

5. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

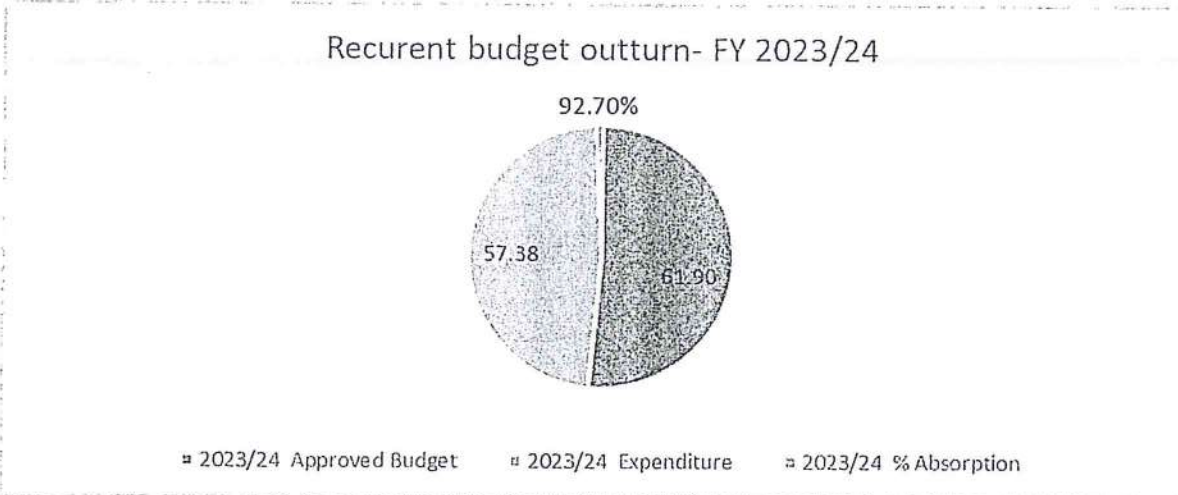
The National Treasury expenditure for the FY 2023/24 stood at KSh.86.7 billion against an approved budget of KSh.108.7 billion translating to an overall absorption rate of 79.76 percent as demonstrated in the pie chart below. This translates to an improvement of 10.33 percent from 69.43 63% recorded in the financial year 2022/23. Chart 2 below presents the National Treasury total budget execution for the FY 2023/24.

Chart 2: Total Allocation against Total Expenditure (KSh. Billions)



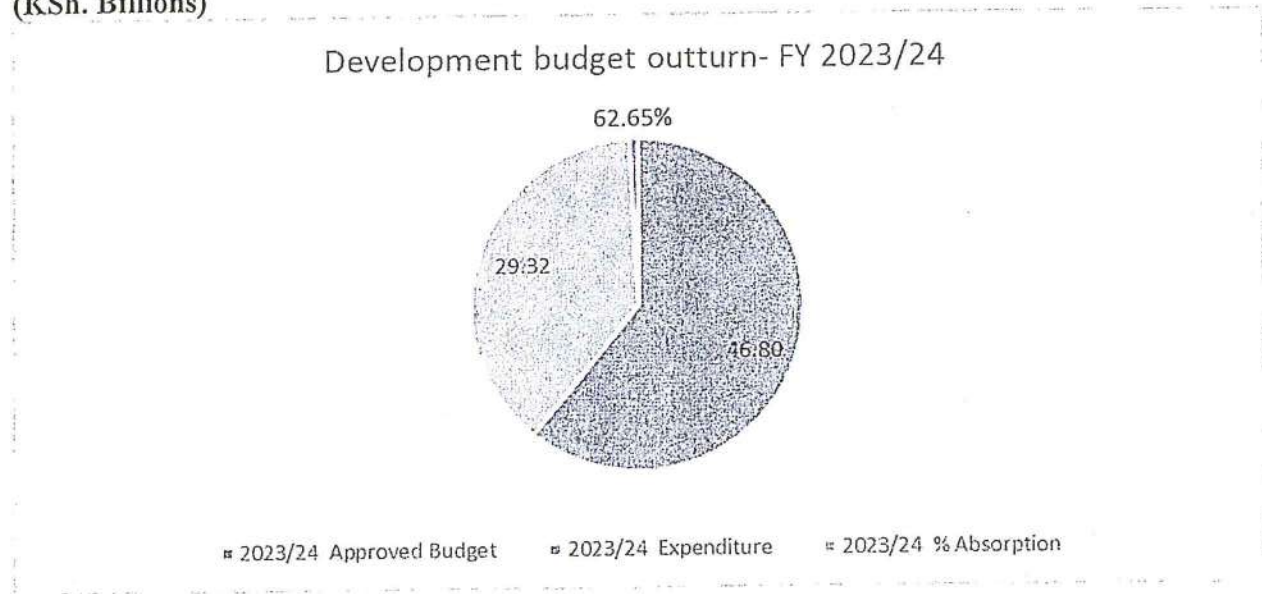
When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure stood at KSh.57.38 billion in the FY 2023/24 against an allocation of KSh. 61.90 billion translating to 92.70 % absorption rate as shown in Chart 3 below. This was an improvement from the absorption rate of 78.05 recorded in FY 2022/23.

Chart 3: National Treasury recurrent budget execution for the FY 2023/24 (KSh. Billions)



On the other hand, development expenditure absorption was KSh .29.32 billion against an allocation of KSh 46.80 billion recording an absorption rate of 62.65% as illustrated in Chart 4 below. The under absorption in development expenditure is attributed to exchequer challenges.

Chart 4: Presents the National Treasury development budget execution for the FY 2023/24 (KSh. Billions)

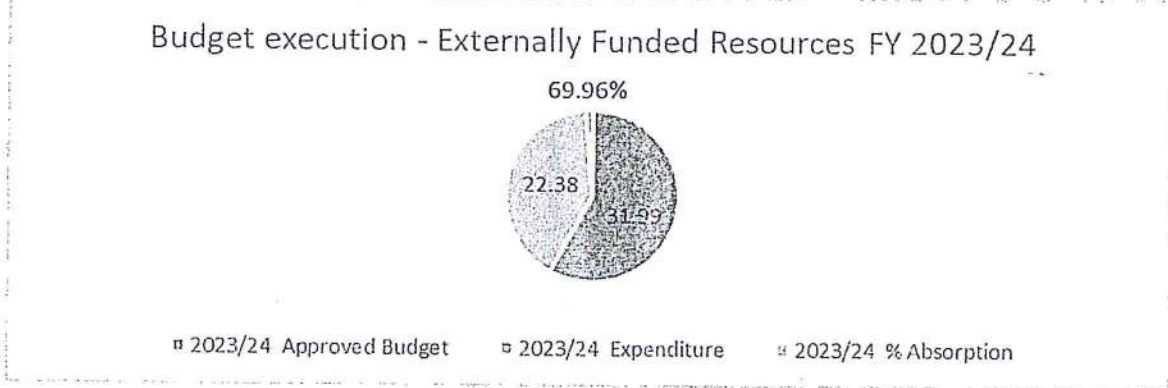


Budget execution for externally funded resources for FY 2023/2024

The externally funded projects recorded an absorption of KSh. 22.38 billion against an allocation of KSh. 31.99 billion translating to an absorption rate of 69.96 per cent. This is a marked improvement from the 29.24% recorded in 2022/23. The improvement is attributed to increased commitments by donors. However, differences in accounting periods between GoK and Donor continues to affect appropriate recording of absorption since budget outturn are characterised by reporting lags where expenditures may have occurred at the delivery source but not captured in the reporting system in real time as appropriate.

Chart 6 below presents the budget execution for externally funded resources for the FY 2023/24.

Chart 6: Budget execution for externally funded resources for FY 2023/24 (KSh. Billions)

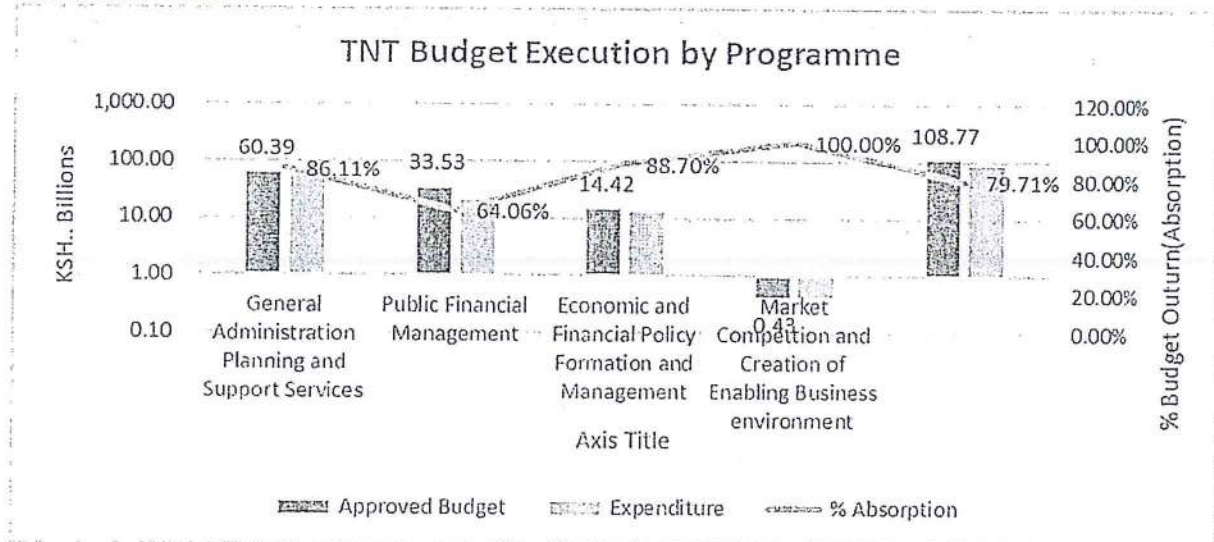


Budget Execution by Programme

The National Treasury implemented the 2023/24 budget within four economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; and Market Competition.

As demonstrated in the 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 88.70 percent, General Administration at 86.11 percent, Public Financial Management at 64.06 percent. Chart 7 below illustrates the National Treasury budget execution by programme for the FY 2023/24.

Chart 7: Budget execution (KSh. Billions) and proportion (%) by Programme (KSh. Billions) for the FY 2023/24



Key Achievements under programmes

The National Treasury registered Key Achievements during the Financial Year 2023/2024. They include:

- i. **Under General Administration, Planning and Support Services programme**, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;
- ii. **Under the Public Financial Management programme**, despite not meeting revenue targets in absolute terms, total revenue collection grew by 14.5 per cent an increase from a growth of 7.3 per cent recorded in June 2023. National Treasury mobilized a total of KSh.4.3 billion worth of private capital that reached financial closure under Public Private Partnerships; registered 21,335 AGPO Enterprises against a target of 20,000; digitized an additional 13,500 government services from 4,500 recorded in 2023; and conducted 240 Value for Money Audits;
- iii. **Under Economic and Financial Policy Formulation and Management programme**, the National Treasury developed the Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR) for County Governments. In addition, the National Treasury implemented measures to attract three (3) NIFC firms. These include (i) facilitating discussions with regulators to introduce large scale global insurance provider into the market, (ii) collaborating with the Department of Immigration to facilitate fast-tracked investor and work permit issuance and (iii) supporting a foreign incoming Venture Capital firm with business registration; and
- iv. **Under Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through Competition Authority of Kenya determined 93% of merger and acquisitions applications and concluded 95% of Cases of Deterrence of Abuse of Buyer Power. With respect to access to justice, the National Treasury through the Competitional Tribunal determined 100% of Appeals on Competition.

Highlights of Bottom-UP Economic Transformation Agenda achievements for the 2023/24 Financial year

No.	BETA Milestone Achieved	2022	2023	% Change	Comments
(a)	Established the Financial Inclusion Fund (Hustler Fund) under the Section 24 (4) of the PFM Act.	-	-	-	The fund will enhance financial access to Micro and Small Enterprises at affordable rates
(b)	Support of Government-to-Government framework for Importation of Petroleum	-	-	-	Provided the Letter of Support to facilitate the implementation of importation of Petroleum through the Government to Government (G-to-G) arrangement with the Government of the United Arab Emirates (UAE). This was aimed at easing the pressure on the monthly demand for USD.
(c)	Ensuring sustainability of State Corporations	-	-	-	Prepared the Privatization Bill, 2023 which is aimed at encouraging more participation of the private sector in the economy. Ownership Regulations have been developed to guide management of commercial state corporations.

Emerging Issues

The emerging issues that impacted on the operations the National Treasury include: -

- i. Technological advancement in the ICT sector present opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security. As the financial systems increasingly go digital, there is the associated risks with cyber-attacks;
- ii. The proliferation of fake news on social media platforms, which have a wider audience and faster response time sometimes portrayed the National Treasury in a negative manner;
- iii. Green Finance: with climate change concerns, there is the pressing need to integrate environmental, social, and governance (ESG) considerations into fiscal policies and investments;
- iv. Development of Sector specific Project Appraisal Manuals continues to be a priority to guide sector specific analysis. The National Treasury is required to develop over 40 sector specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process; and
- v. Debt sustainability concerns. Ensuring that debt levels remain sustainable while funding essential services is a critical challenge that continues to face the National Treasury.

Challenges

Some of the challenges the National Treasury faced while implementing the 2023/24 budget include:-

- i. Resource Constraint persisted and affected implementation of budgets;
- ii. The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes. In the FY 2023/24, the National Treasury faced a total revenue collection shortfall of KSh. 204.9 billion on account of shortfalls in both ordinary revenue and ministerial A-I-A;
- iii. Shortage of Key Technical Staff continues to affect operational efficiency in the core mandate:
 - (a) Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 58% 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; and

- (b) Operating environment is manifested, among others, by shortage of office space especially for key technical staff and, Inadequate resourcing of the Monitoring and Evaluation function.

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

- i. Raised domestic resources to support implementation of various ongoing programme through development of diverse methods for domestic resource mobilization;
- ii. Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions; and
- iii. Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

In order to address the challenges and emerging issues, the following measures should be undertaken: -

- i. Sustain efforts for effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of the Bottom-Up Economic Transformation Agenda and emerging Government priorities. Key in this respect is the need for adequate resourcing of Kenya Revenue Authority to deploy innovative tax administration for efficient and optimal collection of taxes.

In addition, the National Treasury should leverage on the digitization of all critical Government processes with a view to bringing convenience to citizens and raising revenue efficiently for Government services that are paid for electronically;

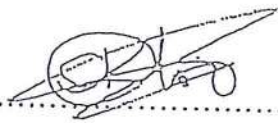
- ii. Reforms in Public Financial Management and taxation should be sustained to enable the National Treasury expand the fiscal space and enhance absorption capacity. This includes reforming institutions and restructuring of parastatals to wean some from reliance on exchequer;
- iii. Strengthening Tax Administration, The National Treasury should enhance KRA's capacity to leverage technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position;
- iv. Continued implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- v. Strengthening Monitoring and Evaluation Framework and capacity through automation of the Planning and M&E processes;

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- vi. Continued leveraging on ICT to ensure timely delivery of targets and foster efficiency; and
- vii. Implementing the recommendations arising from the 2023/24 project rationalization review to achieve optimal project portfolio and increase fiscal space.

Going forward the National Treasury, will support the Government's priority on scaling up efforts on policy interventions and structural reforms under BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the efforts, the National Treasury will accelerate investments in: (i) reforming markets (ii) domestic resource mobilization and application of those resources to development projects; (iv) reform and restructure of State-Owned Entities and (v) digitization of government services.

Signature



Date

10/9/24

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/NATIONAL TREASURY

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/23

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government National Treasury 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 Strategic 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; and,
- 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:

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
Programme 1: General Administration, Planning and Support Services	SP Administration Services	Administration	Security Leased Vehicles	Security leased Vehicles	4,023	3,546	-477	Due to reprioritization from rolling in additional vehicles to replacing old fleet, the target was not achieved. Going forward, there is a consideration to shift to environmentally friendly fleet, specifically, piloting electric vehicles
		State Corporations Appeals Tribunal (SCAT)	Appeals against the surcharge decisions of Inspectorate of State Corporations determined	% of appeal cases determined	100	100	0	The Tribunal was not optimally constituted to fully discharge its mandate following the expiry of the tenure of the chairman and one Board Member. The mandate of the Tribunal is dependent on the operations of the office of Inspector General of State Corporations which for a long time has not issued any certificate of surcharge. The Certificate of surcharge is a formal document issued a Inspector General of State Corporations to indicate that a individual has been assessed a charge or penalty for loss of or misappropriation of funds of a State Corporation and which the individual is required to pay.
	SP 2 Human Resources Management Services	State Corporations Appeals Tribunal (SCAT)	Reviewed State Corporations Act	No. of reviewed Acts	1	0	-1	Underperformance due to delay in gazettelement of the Board. The gazettelement was done in January 2024 hence the process of review will be undertaken in FY 2024/25

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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks		
PROGRAMME 2: Public Financial Management	SP 3 Financial Services	Public Service Super Annuation Scheme (PSSS)	Public Servants enrolled onto PSSS	% level of eligible Public Servants enrolled onto PSSS	100	100	0	The eligible public servants are on boarded in real time and existing ones maintained through remittances of contributions to the PSSS		
				Pensions Department	Pensions claims paid	No of days taken to process pension claims	60	60	0	Target Achieved
				Kenya Revenue Authority	Ordinary revenue collected	Ordinary revenue as a percentage of GDP	18	10.4	-7.6	All revenue categories recorded below target performance with income tax recording the highest shortfall of 50.9 billion on account of below target collection in both PAYE of 25.8 billion and other income tax of 25.1 billion.
		Institute of Certified Financial Investment Analyst	Income from member services consulting activities	At least Kshs.4,500,000 or 500,000 per month	July-March	Kshs 21,090,604 from training and new members' registration	19,590,604.00	The institute had a positive return on trainings and workshop forums due to aggressive marketing hence the surpassed target		
	SP 4 ICT Services	Information, Communication and Technology Unit	ICFA Members Recruited	At least 40 new members (jointly with Member Services Team)	July-March	60 members have been approved	20	Target surpassed due to additional recruitment drive efforts		
	SP 1 Resource Mobilization	Resource Mobilization Department	Resources mobilized from development partners	Externally mobilized resources as a % of fiscal gap	40	46.17	6.17	The extra mobilization was occasioned by underperformance in domestic revenue which meant that to cover up for the fiscal gap,		

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
				External mobilized resources disbursed as a % of resources budgeted	100	77	-23	additional external financing was warranted The disbursement is based on milestones achieved by the implementing agencies, evidenced by submission of interim payment certificates as well as disbursement linked performance whereupon.
		Debt Policy, Strategy and Risk Management Department	M-Akiba, sovereign Green, and benchmark Bonds	No. of Sovereign Green bonds issued	1	0	-1	Market conditions were not favorable
			Annual Borrowing Plan	No. of benchmark bonds issued	7	6	-1	3 new benchmark bonds issued and 3 early issued were re-opened to new investors.
		Debt recording and settlement Department	Annual Borrowing Plan	No. of Annual Borrowing Plans	1	1	0	Target achieved
			Mature serviceable public debt serviced	% Of mature serviceable public debt serviced	100	100	0	Target achieved
			Annual Public Debt Management Performance report	No. of developed Annual Public Debt Management performance report	1	1	0	Target achieved
		PPP Unit	Published External Public Debt Stock & Register on the TNT website	No. of Published External Public Debt Stock & Register on the TNT website	1	1	0	Target Achieved
			Private capital unlocked for investments in PPP Projects	Amount mobilized in KShs. (Billion)	50	4.3	-45.7	KSh. 4 billion was raised against a target of KSh. 50 billion. The KSh. 4.3 billion relates to development of 3,069 residential units for the Kenya Defense Forces under a 15 year Build and Transfer (BT) Model. The project achieved financial close in May

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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Global Fund	Adults and children provided with Anti-Retroviral Therapy ACT Treatment	Number of Adults and Children Receiving ART No. of People receiving ACT (Millions)	1.2 6	1.2 6	0 0	Target achieved The total number of confirmed malaria cases annually is about 6 million. The number of doses of ACT distributed to ensure continuous supply at facility is 7 million doses annually. On a quarter about 1.5 million doses are expected to be issued to facilities.
			TB patients treated and tested for HIV	% of TB patients treated and tested for HIV	100	97	-3	Underachievement relates to the fact that testing is voluntary, some of the patients diagnosed with TB when requested to be tested for HIV declined

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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
	SP 2 .Budget Formulation Coordination and Management	Directorate of Budget, Fiscal & Economic Affairs	Annual National Budget	Annual national budget presented to Parliament by 30th April	1	1	0	Target Achieved	
			Budget Review and Outlook Paper	Budget Review and Outlook Paper	1	1	0	Target Achieved	
			Budget Policy Statement	Budget Policy Statement	1	1	0	Target Achieved	
			Annual Appropriation Bill	Annual Appropriation Bill	1	1	0	Target Achieved	
			Supplementary Appropriation Bills	Supplementary Appropriation Bills	2	2	0	Target achieved	
	SP 3. Audit Services	Internal Audit Department	Finance Bill	Finance Bill	Finance Bill	1	1	0	Target Achieved
			Value for Money Audits conducted	No. of VFM Audits reports	268	240	-28	Budget cuts	
			Government Entities capacity built on IRMF	No. of Government Entities capacity built on IRMF	32	36	4	Target surpassed due to more requests from MDAs to be trained	
			Audit Committees Capacity Built.	No. of Audit Committees Capacity Built.	24	26	2	Target surpassed due to more requests from County Governments to be trained	
			Consolidated Financial Statements	No. of Consolidated Financial Statements	1	1	0	Target achieved	
SP 4. Accounting Services	Accounting Services Department	Officers trained on International Public Sector Accounting Standards (IPSAS)	No. of Officers trained on International Public Sector Accounting Standards (IPSAS)	2000	2100	100	Target surpassed		
		Site inspection of National Sub-County Treasuries undertaken	No. of inspection reports	80	28	-52	Target not achieved due lack of funding		
		PFM users trained on IFMIS in financial reporting	No. of PFM users trained	2,000	2,100	100	Target surpassed		

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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
PROGRAMME E		Government Digital Payments Unit	Government Payments Digitized	No. of additional Government Payments Digitized	3,500	17,000	13,500	Target surpassed due to prioritization of digitalization of Govt services and improved compliance by MDAs	
				Guidelines for IPSAS 41,42,43,44,45,46 developed	No. of guidelines developed	6	4	-2	The underperformance due to the fact that the development of the remaining guidelines was contingent upon the approval of transition to accrual accounting which came in 4th quarter, therefore the same has been earmarked for 1st quarter of FY 2024/25
				Accountants from the OAG, Parliament, and Judiciary on requisites for transition to accrual accounting sensitized	No. of Accountants sensitized	200	600	400	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting
PROGRAMME E		Public Sector Accounting Standards Board	Model internal control framework for County Government entities developed	Model Developed	1	1	0	Target achieved	
				Training Accountants from Teachers Training Colleges (TTCs)	No. of Accountants sensitized	50	600	550	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting
				Internal Auditors and Risk Practitioners in Public sector	No. of Auditors sensitized	200	580	380	Target on track

PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
			Global Internal Audit sensitized					
			Financial Reporting Templates for County Government on Accrual Accounting developed	No. of Templates Developed	9	9	0	Target Achieved.
			Audit committee members of Public Sector Audit Committees (Sensitization of Governing bodies and Senior Management) sensitized	No. of Audit committee and senior management trained	200	400	200	The overachievement was due to enhanced need for all accountants to embrace transition to accrual accounting
			County visit to check compliance with financial reporting conducted	No. of Counties visited to monitor compliance with standards	12	4	-8	Underperformance due to refocusing from county visits to compliance surveys
			Financial Reporting (FiRe) Awards Evaluation and Gala Dinners conducted	% of Entities Financial Report evaluated.	1	1	0	All eight hundred and thirty three(833)Financial Reports Submitted and Evaluated.
			Reviewed Guidelines on National and County Governments Audit Committee	Reviewed National and County Governments Audit committee guidelines	2	2	0	Target Achieved.
			Public Sector Control guidelines developed	No. of Guidelines developed	1	1	0	Target Achieved.

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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
PROGRAMM E	SP 5. Supply Chain Management Services (SCMs)	Public Procurement Department	AGPO enterprises registered	No. of AGPO enterprises registered	20000	21335	1335	Target surpassed due to enhanced targeted sensitization	
			AGPO beneficiaries trained on Government Procurement Opportunities	No of AGPO beneficiaries trained on Government Procurement Opportunities	2000	2235	235	Target overachieved due to partnerships with other Government Institutions to train more beneficiaries.	
		Public Procurement Regulatory Authority (PPRA)	Market Price Index survey conducted	No. of MPI survey reports published	4	0	-4	Target not achieved due to budget constraints	
			MCDAs monitored on Compliance with PPADA 2015	No. of MCDAs monitored on Compliance with PPADA 2015	200	2087	1887	Overachievement attributed to leveraging technology to undertake audits based on information posted on Public Procurement Information Portal and site visits undertaken only for select projects under implementation	
		PFMR Secretariat	Public Procurement disputes resolved	% Of cases resolved within 21 days	100	100	0	Target achieved	
			Supply chain professionals certified in the public sector	% of supply chain professionals certified in the public sector	60	44	-16	Underperformance due to inadequate enforcement of compliance by Regulatory entities and employers	
		SP. 6 Public Financial Management Reforms	PFMR Secretariat	Skills and capacity in PFM	No. of officers trained on Public Finance Management	8,000	8,150	150	Annual target surpassed
				PFM Reforms Strategy Developed	PFM Reforms Strategy Developed	1	1	0	Target achieved
				Develop Implementing Agencies Work Plans	Develop Implementing Agencies Work Plans	1	1	0	Target achieved
				Cumulative % of PFM reforms implemented (102 interventions)	Cumulative % of PFM reforms implemented (102 interventions)	20	17	-3	The underperformance due to delay in approval of some legislations by Parliament and inadequate funding. These have rolled over to the FY 2024/25

PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
	7 SP. Government Investment and Assets	Government Investment and Public Enterprises	Budget for State Corporations Reviewed 3 years report on Assessment of Investment in State corporation & Government-linked Corporations	% of State Corporations Budgets reviewed No of assessment Report	100 1	100 1	0 0	All relevant budgets for SC reviewed Target Achieved. Report prepared and sent to Parliament as required
		Unclaimed Financial Assets Authority	Unclaimed financial assets reunified with the rightful owners	Cash assets Remitted in KSh. (million)	4500	3,800	-700	The underachievement was due to the fact that there was no moratorium granted (amnesty for non-remittance) during the financial year unlike the year FY 2022/2023 when the CS National Treasury had granted Amnesty via the Finance Bill 2022 for filing remittances without being penalized for noncompliance.
				Unit of shares remitted (non-cash assets) in Million	300	407	107	Overachievement due Compliance Audits and aggressive awareness on holders of unclaimed assets
				Reunification rate, in %	5	6	1	Reunification is an ongoing improvement supported by enhanced reunification clinics, Huduma Service Centre and National Government Administrative Officers (NGAO) partnership, Unclaimed Financial Assets Management System (UFAM) systems and customized relationship management

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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Privatization Commission	Privatized government owned entities	No. of Government owned entities privatized	4	0	-4	No approved transaction has been completed; however, the following is the progress: <ul style="list-style-type: none"> • Draft Share Sale Documentation is in place for the following entities: (a) International Hotels Kenya Limited (Hilton) (b) Kenya Hotel Properties Limited (c) Mountain Lodge Limited (d) KWA Holding E.A Limited • Draft Expression of Interest (EOI) has been prepared for International Hotels (Kenya) Limited.
				No. of entities approved for inclusion in the privatization programme	7	0	-7	Following the operationalization of the Privatization Act, 2023 on 27th October 2023, the assessment function was transferred to the National Treasury. The CS NT published Privatization Programme on 27th November 2023. However, the high court issued a conservatory order that suspended implementation of section 21(1) of the Privatization Act

PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
Programme 3: Economic and Financial Policy Formulation and Management	SP 3.1.1 Fiscal Policy Formulation, Development and Management	Kenya Trade Network Agency	Cargo dwelling time at ports of entry reduced	No. of days taken to clear goods at the ports of entry	3	3	0	Target achieved
		Macro and Fiscal Affairs	Stable annual inflation rates maintained Strong Official foreign reserves	Inflation rate (%) Months of import cover	5 +/-2.5 5.5	0.046 4	0.7 -1.5	Target within policy range. Target not met due to high demand for forex.
			Fiscal deficit as a % of GDP including grant	% of fiscal deficit	4.4	5.6	-1.2	Target not achieved due to revenue underperformance.
		Inter-Governmental Fiscal Relations	County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB) prepared.	County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	2	2	0	Target achieved
			Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR)	No. of Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR)	1	1	0	Framework developed and awaiting Cabinet Approval
		Nairobi International Financial Centre Authority	Nairobi International Financial Centre (NIFC) guidelines and regulations prepared	No. of Guidelines and regulations prepared	1	1	0	Target achieved
			Investments and Regional Financial Institutions certified	No. of Certified NIFC firms	4	3	-1	Three firms certified

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PROGRAMM E	SUB-PROGRAMM E	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
Programme 4: Market Competition and Creation of Enabling Business Environment	SP 4.1 Elimination of Restrictive Trade Practices	Competition Authority of Kenya	Climate Change Fund established in counties	No. of counties with CCF	2	1	-1	Apart from Nairobi County, CCF has been established in all the 46 Counties.
			Sustainable Public Debt	Public Debt at ≤ KSh. 10 trillion	10	65 % of GDP (10.56 trln)	1.12	Under achievement was due to depreciation of the Kenyan Shilling against Foreign Currencies.
			Capital injected into Credit Guarantee Scheme (CGS)	Value in KShs. (Billions)	5	3	-2	The 3 billion allocated is still pending awaiting the incorporation of the CGS as a company. Documents for establishment of the CGC are with the Cabinet.
			Consumer complaints on Competition investigated and Merger acquisitions applications determined	% of consumer complaints on competition investigated	100	57	-43	Target not achieved due to complexity of the cases and budget cuts
			Cases of Deterrence of Abuse of Buyer Power concluded	Cases concluded as a % of total investigations	95	62	-33	Target not achieved due to complexity of the cases.
			Cases on restrictive trade practices investigated and finalized	% of cases on restrictive trade practices investigated and finalized	100	42	-58	Target not achieved due to inadequate funding
	SP 4.2 Access to Justice	Competition Tribunal	Appeals on Competition Determined	% of Appeals on Competition Determined	100	100	0	Target achieved

7. MANAGEMENT DISCUSSION AND ANALYSIS

7.1. Report on Operational and financial performance of the organization for the last three-to-five-year period

7.1.1. Operational Performance

Operational performance is examined from two main indicators. These are: (i) performance contract management (ii) human resource staff capacity.

7.1.1.1. Performance Contract Management

In the Financial Year 2019/2020, the National Treasury and Economic Planning was ranked as the best performing Ministry with a Composite Score of 3.0209. This means that TNT&P achieved but not fully all its set PC targets resulting to a score of between 70 – 100% which translates to Good Performance.

In the Financial Year 2020/ 21, the National Treasury and Planning was ranked 5th in the Top Five Performing Ministries with an Average Composite Score of 3.2124 which is a good performance. There was a decline in performance compared to that of 2019/2020 whereby TNT&P was ranked the best performing Ministry with a Composite Score of 3.0209.

In the FY 2021/2022 the National Treasury and Economic Planning retained a ranking of position 5 with a composite score of 3.1173 representing ‘good performance’. The composite score was an improvement from the 3.2124 recorded in 2020/21.

The results for the 2022/23 have not been published, hence the composite score of 3.3158 is provisional following moderated evaluation in September 2023.

A summary of performance contract indicators for two years and ranking for the last five years are given in tables 2 and 3 respectively below.

Table 2. Performance in various indicators over the last two evaluation periods

PC Area	Score FY-2021/22	Score FY-2022/23 (provisional) ¹
Overall Composite Score	3.1173	3.3158
Financial Stewardship	0.2550	0.3219
Service Delivery	0.3096	0.3112
Core Mandate	1.9344	1.9930
Implementation of Presidential Directives	0.0600	0.0683
Access to Government Procurement Opportunities	0.0402	0.1042
Promotion of Local Content in Procurement	0.0470	0.0591
Cross-cutting issues	0.4667	0.4581

¹ The results for the FY 2022/23 has not been formally published

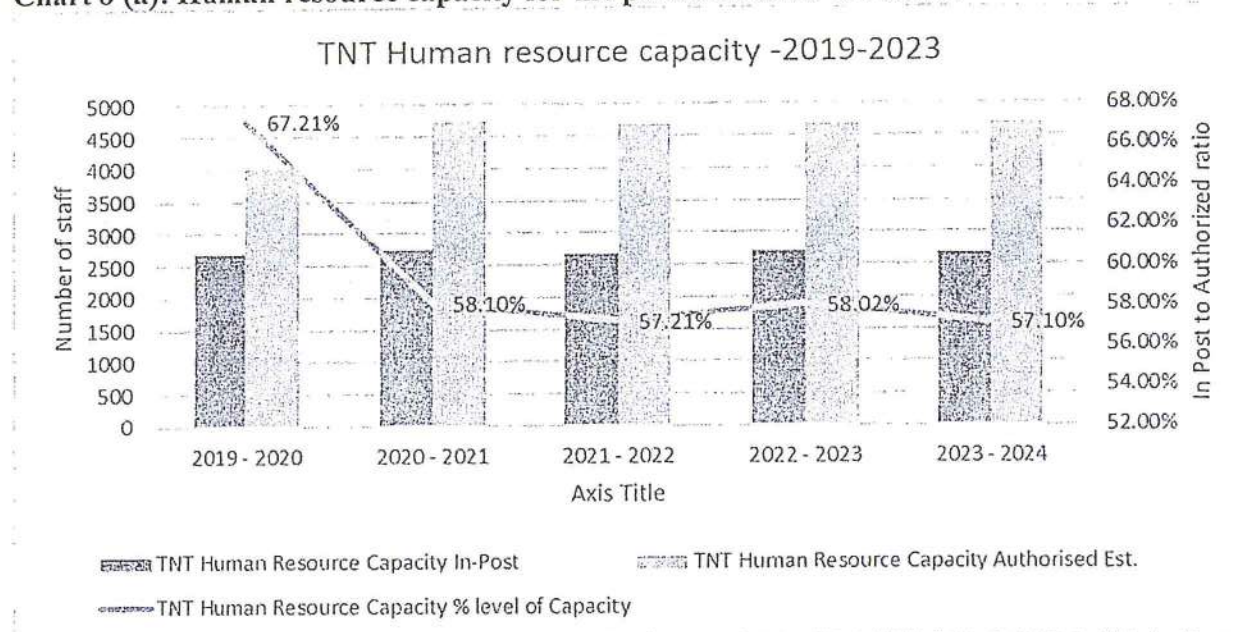
Table 3: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over five Financial Years

2018/19	2019/2020	2020/2021	2021/2022	2022/2023 (provisional)
Ministries were not ranked	Overall Score: 3.0209 Overall Rank: Position 1 Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.8089 Core Mandate Rank: Position 3	Overall Score: 3.2124 Overall Rank: Position 5 Overall Grade: 70-100% Performance category: Good Core Mandate Score: Not measured Core Mandate Rank: Not ranked among the 5 best performing Ministries	Overall Score: 3.1173 Overall Rank: Position- 5 Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.9344 Core Mandate Rank: Not ranked among the top five or the bottom 5	Overall Score: 3.3158 Overall Rank: Position – Note yet published Overall Grade: 70-100% Performance category: Good Core Mandate Score: 1.9930 Core Mandate Rank: Not yet published

7.1.1.2. Human resource staff capacity.

Human resource capacity is a component of operational efficiency in the National Treasury. In this regard, the National Treasury currently operates at 57.1 per cent staff capacity in relation to authorized establishment. This is a decline from staff operational capacity of 58% in 2022/23 and 67.21 percent in 2019/20. The decline in staff capacity is attributed to slow succession management in relation to increasing staff requirement as indicated by authorized establishment. Chart 8 below illustrates the current staff capacity against authorised establishment.

Chart 8 (a): Human resource capacity for the period 2019/20 to 2023/24



In terms of cadre, the National Treasury ratio of core technical to support staff currently stands at 39.6 per cent of in-post staff against a target of 70 per cent. Chart 8 (b) below illustrates the composition of the National Treasury staff disaggregated by technical and support cadre.

Chart 8 (b): Human resource capacity for 2023/24 by cadre

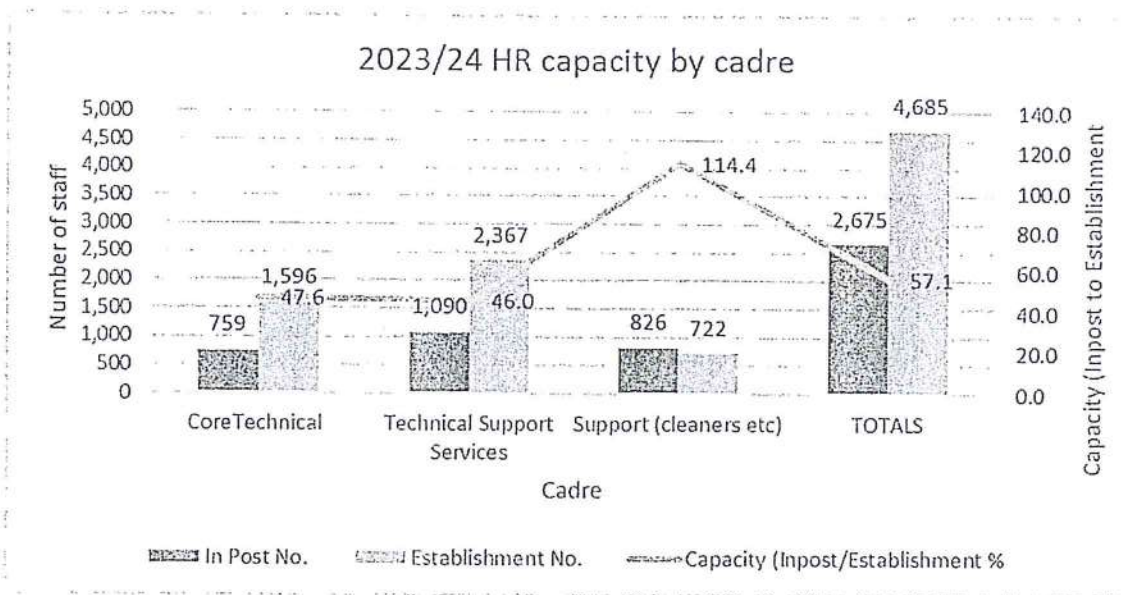
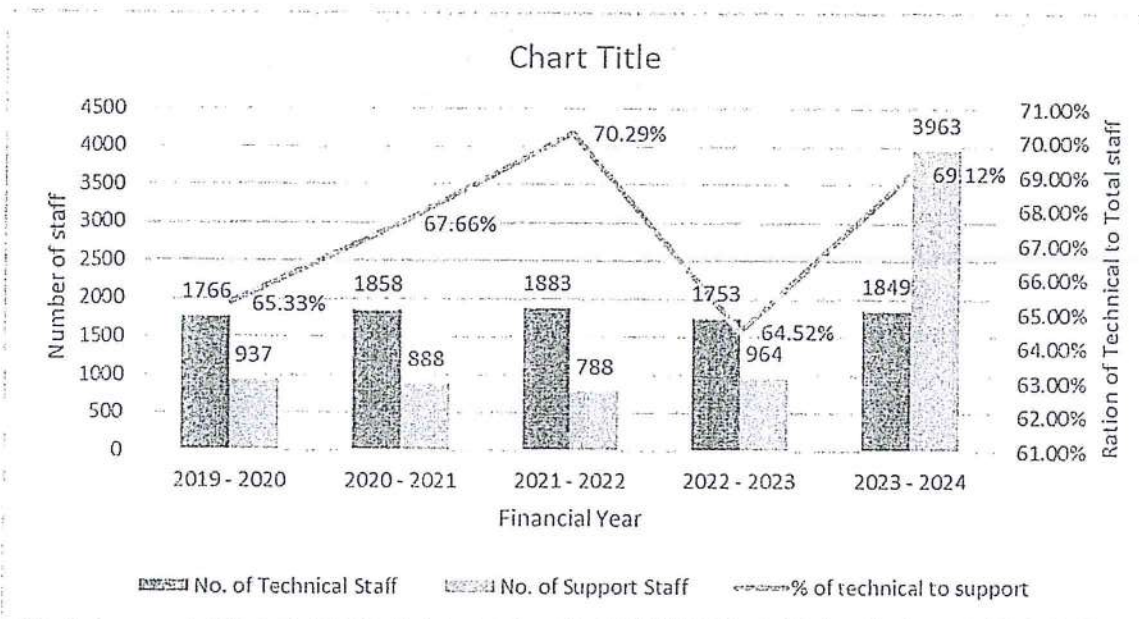


Chart 9: The National Treasury staff composition (technical staff to total staff ratio for the period 2019/20-2023/24



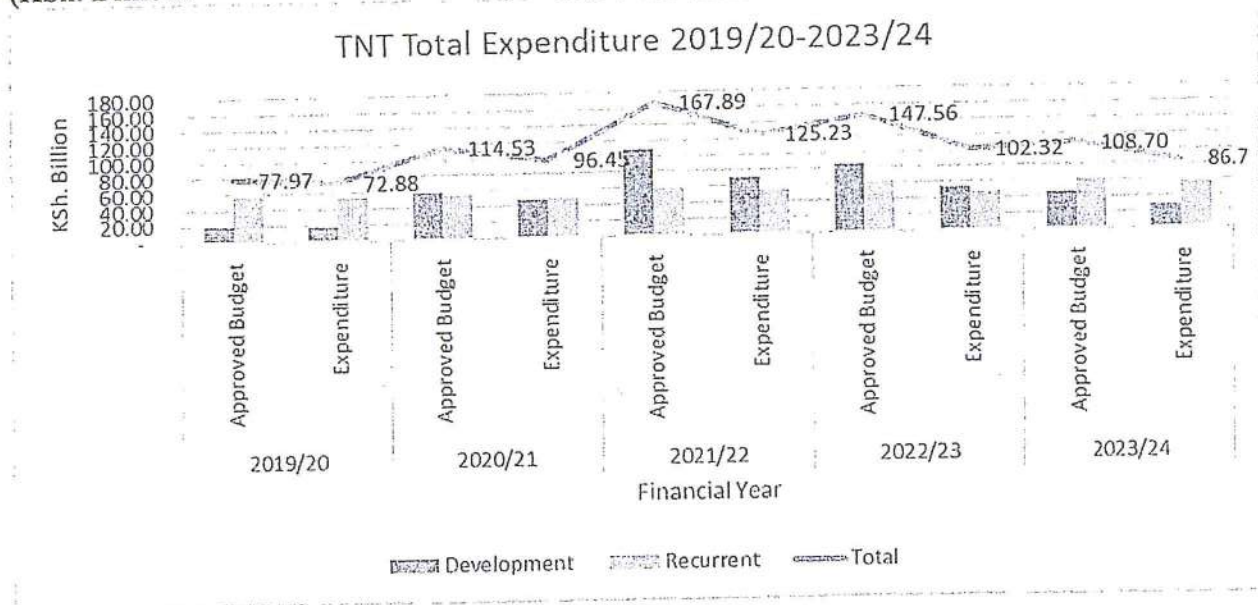
7.1.2 Financial Performance

Over the last five-year period, the National Treasury recorded mixed trend in performance in financial stewardship relating to absorption of GoK funds and externally funded resources as well as in A-in-A. Charts 10, 11 and 12 below indicate the specific performance in the mentioned areas.

Overall budget execution for the National Treasury for the period 2019/20- 2023/24

Chart 10 illustrates the National Treasury financial performance in relation to expenditure for the period 2019/20- 2024/25. The allocations to the National Treasury recorded increasing trend with highest allocations recorded in the FY 2021/22. The increase in allocation in the FY 2021/22 is attributed to transferring of marine and transport functions to the National Treasury. These functions were transferred back to the Ministry of Transport and Infrastructure in the FY 2023/24.

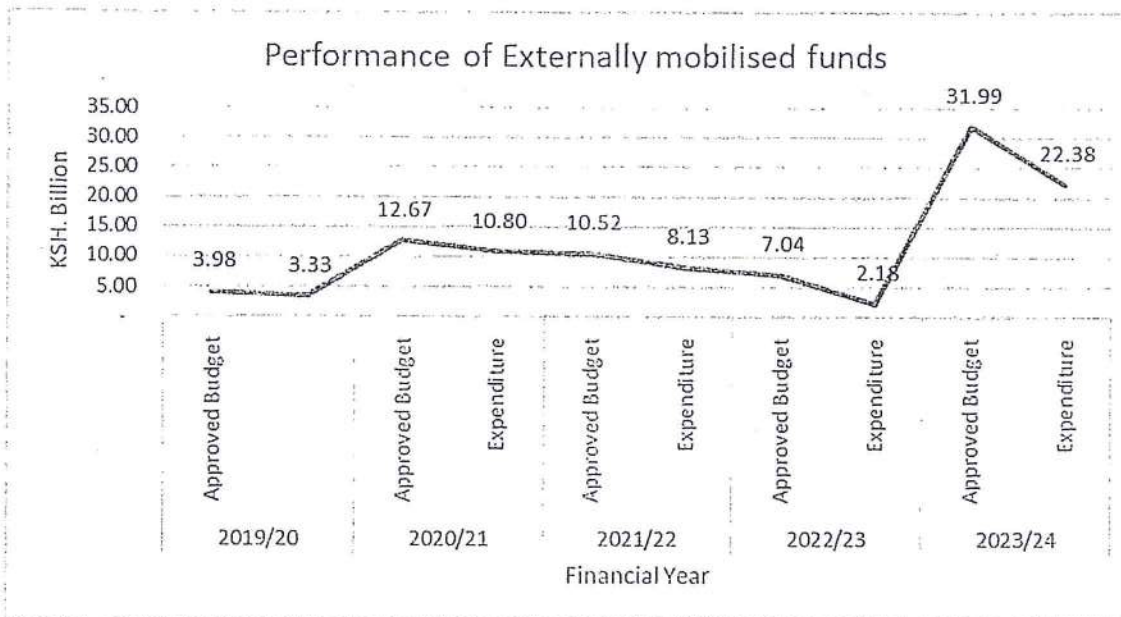
Chart 10: The National Treasury total budget against expenditure for 2019/20- 2023/24 (KSh. Billions)



Performance of externally funded resources for the period 2019/20-2023/24

The externally funded resources rose sharply in the FY 2020/21 before gradually decreasing in the subsequent years. The rise was due to mobilization of additional resources to combat the COVID 19 pandemic. Chart 11 highlights the performance of externally funded resources for the period 2019/20- 2023/24.

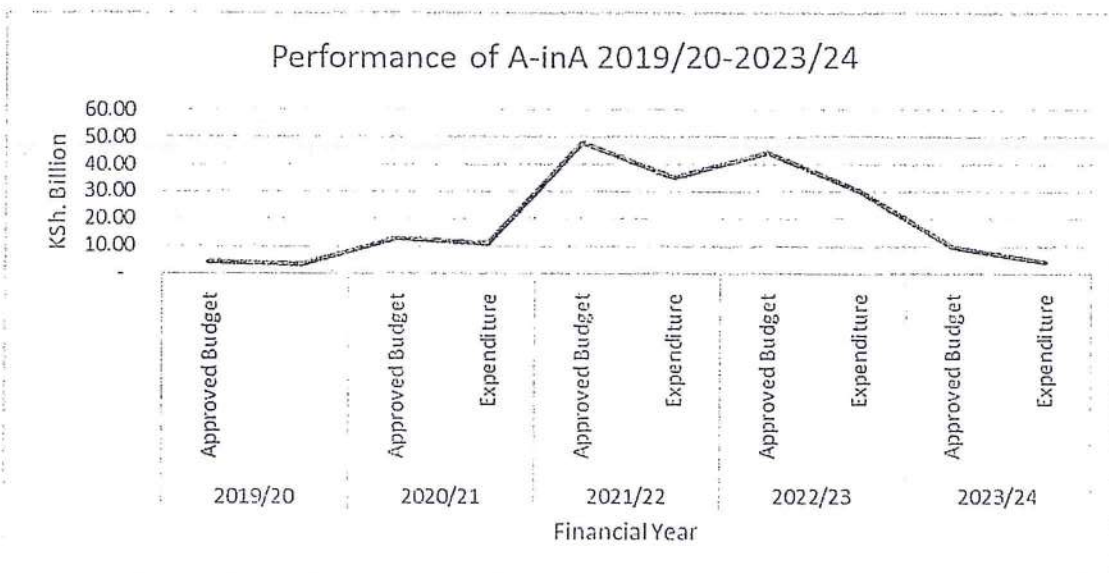
Chart 11: the performance of externally funded resources for the period 2018/19-2022/23 (KSh. Billions)



Performance of Appropriation in Aid the period 2018/19-2022/23

The National Treasury registered a sharp rise in A-in-A allocations in the FY year 2020/21. The rise in A-in-A relates to development partner financing towards interventions to combat COVID 19 pandemic. The decline in A-in-A in the FY 2023/24 is due to reduction in donor commitments under Global Fund Programme. Chart 12 below illustrates the trend in the performance of A-in-A for the period 2019/20 to 2023/24.

Chart 12: Performance of A-in-A for the period 2018/19-2022/23 (KSh. Billions)



a. The National Treasury Key Projects/ Investments implemented or ongoing

The Table below indicates a summary of 13 key projects for the National Treasury indicating project cost, source of funds, cumulative expenditure to date and project status.

Table 3: Key projects implemented by the National Treasury

No.	Project	Project Cost	Age in Years	Budgeted Amount	% of Completion	Comments
1.	1071110501 Special Global Fund - HIV NFM 3	24,705.00	2	9,932.74	50	Ongoing
2.	1071110601 Special Global Fund - Malaria NFM 3	8,653.00	2	2,526.26	12	Ongoing
3.	1071108302: Credit Guarantee Scheme	10,000.00	3	0.00	30	Ongoing
4.	1071108801: Operationalization of the Kenya Mortgage Refinance Company	10,170.00	3	2,070.01	25	Ongoing
5.	10711104401: Contingency Fund Transfers	30,000.00	4	1,200.00	23	Ongoing
6.	1071100101: Support to Public Financial Management (PFMR)	27,427.00	9	686.37	21	Ongoing
7.	1071108101: Kenya Affordable Housing Project	25,000.00	3	4,200.00	16	Ongoing
8.	1071102601: Equity and Subscriptions in International Financial Institutions	32,533.00	7	732.01	29	Ongoing
9.	1071108201: Kenya Financing Locally led Climate Action Programme	46,793.00	3	4,892.21	6	Ongoing
10.	1071111701 Supporting Access to Finance and Enterprise Recovery (SAFER)	11,912.40	1	3,060.00	1	Ongoing
11.	1072109200 Eastern Africa Regional Statistics Program-for-Results	13,700.35	1	1000.00	13	Ongoing
12.	1071113301 Rural Kenya Financial Inclusion Facility (RK-FINFA)	40,898.4	1	253	16	Ongoing

7.2. Future Developments and other information

In the next five (5) Year period, the National Treasury plans to implement the following Four (4) Key Result areas and attendant strategies as stipulated in the Strategic Plan for the period 2023-2027:

1. Stable and sustainable macroeconomic environment

Under this Key Result Area, the National Treasury plans to:

- i. Develop and implement macroeconomic and fiscal policies that support stable macroeconomic environment and stimulate economic recovery to 5.6 percent growth in FY 2027/28; boost the ratio of gross national savings to GDP to 13.3 percent in the FY 2027/28; increase the ratio of national investments to 18.6 percent GDP in the FY 2027/28;
- ii. Oversee implementation of monetary policy that targets to maintain inflation rate at 5 percent +/-2.5 percent; low and stable lending interest rates; stable and competitive exchange rates; and strong official foreign exchange reserves;
- iii. Establish the Kenya Credit Guarantee Company to administer CGS – This will entail establishing a functional Credit Guarantee Company to administer Credit Guarantee Scheme (CGS);
- iv. Agricultural and Rural Financial Inclusion (RK- FINFA) – this will enhance access, efficiency and stability of agricultural and rural finance by smallholder farmers and agribusiness MSME;
- v. Implement the Green Financial Markets programme to enhance access to green finance and strengthen the enabling environment to attract green finance and investments needed to transition to a low-carbon, climate resilient and green economy;
- vi. The National Treasury has embarked to redesign the taxation instruments to make them more supportive to economic activity without distorting the market and eroding investment incentives. This will boost revenue collection and raise tax effort from the current 16.0 percent of GDP in FY 2023/24 to where it was previously, above 20 percent of GDP. This will be done through the implementation of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2024/25 - 2026/27 that will provide a combination of tax administration and policy measures to enhance revenue mobilization; and
- vii. Operationalize Nairobi International Financial Centre (NIFC) to develop a more predictable, efficient and globally competitive financial environment

2. Resource mobilization for financing public expenditure

- i. Under this Key Result Area, the National Treasury plans to;
- ii. Broaden the tax base and enhance tax compliance;
- iii. Digitization of government payment services;
- iv. Mobilization of external and domestic resources;
- v. Diversification of borrowing sources;

- vi. Undertake periodical portfolio review, assessment and reporting;
- vii. Enhance public debt management efficiency and transparency;
- viii. Support contracting authorities in preparation of PPP projects and procurement of private investors;
- ix. Support contracting authorities in the management of PPPs in operation;
- x. Enhance mobilization of resources for the Project Facilitation Fund (PFF);
- xi. Establish and sustain relations with investors in PPPs;
- xii. Enhance PPP legal and regulatory framework;
- xiii. Enhance the capacity of County Governments on tax analysis and revenue forecasting; and
- xiv. Development of legal framework for County Government tax processes.

3. Policy, legal and institutional frameworks for development planning, budgeting, and intergovernmental and stakeholder relations

Under this key Result Area, the National Treasury plans to:-

- i. Enhance uptake of government procurement opportunities by the marginalized groups;
- ii. Promote value for money in public procurement;
- iii. Enforce compliance on public sector accounting standards and other government regulations;
- iv. Support effective implementation and reporting of reform interventions in the PFM Reforms Strategy 2023-2028;
- v. Prepare and disseminate guidelines on PFM with County Governments;
- vi. Enhance compliance with PFM laws by County Governments;
- vii. Enhance compliance of all public sector entities with assets and liabilities policies and guidelines;
- viii. Prepare legislative proposals on sharing of resources between the two levels of governments and among the counties are in place;
- ix. Enhance the capacity of SCs in budgeting, performance contracting, financial reporting, and monitoring;
- x. Develop Public Investment Policy and Guidelines;
- xi. Digitalize and automate the budget process;
- xii. Improve efficiency and effectiveness in pensions administration and management;
- xiii. To strengthen transparency and accountability in public investment management; and
- xiv. Provide objective assurance on Management of resources in public sector entities.

4. Strengthened institutional capacity and internal business processes

Under this Key Result Area; the National Treasury will implement the following;

- i. Scale up efforts to towards optimal staffing levels;
- ii. Undertake Employee capacity building and development;
- iii. Institutionalize knowledge management;
- iv. Restructure the Organizational for enhanced productivity;
- v. Enhancement of communication mechanism and brand identity; and
- vi. Enhance the efficiency and effectiveness of planning and project monitoring

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The National Treasury's mandate is to formulate, implement and monitor prudent economic and financial policies at national and county levels of government. The core values include customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Guided by the above principles, we undertake the following: -

8.1 Sustainability Strategy and Profile

The Kenyan economy is unwinding from layers of negative and persistent shocks that had a structural effect on economic activities. These shocks include: the COVID-19 Pandemic and its ensuing effects; conflict in Eastern Europe, and Middle East; global oil supply cuts leading to elevated commodity prices such as petroleum products; and effects of climate change in the Country: the prolonged drought in 2021 to the floods in 2024.

These shocks escalated the cost of essential household commodities. They also pushed up fuel prices and led to a rapid depreciation of the Kenya Shilling exchange rate, piling pressure on public debt.

The focused interventions, structural reforms and policies of the Government over the last two years have started to yield some positive results namely: -

- i.** Real GDP grew by 5.6% in 2023 up from 4.9% in 2022, a demonstration of resilience and the beginning of economic recovery. Growth momentum continued in 2024 with the economy expanding by 5.0 percent in the first quarter and projected at 5.5 percent by the end of the year;
- ii.** Nominal GDP rose to 15.1 trillion in 2023 from Ksh 13.5 trillion in 2022; a 12% increase. Similarly, GDP per capita income increased to Ksh 293,229 in 2023 from Ksh 266,473 in 2022;
- iii.** Total new jobs (both formal and informal) generated in the economy were 848.2 thousand in 2023. Of this, wage employment in the modern sector grew by 4.1% which translated to creation of 122.8 thousand new jobs;
- iv.** Inflationary pressures that had remained above the 7.5% upper bound target since June 2022 have eased. Overall inflation declined to 4.3% in July 2024 from 4.6% in June 2024, thereby remaining below the mid-point of the target range. The pass-through effects of the strengthening exchange rate since February 2024, the tight monetary policy stance and interventions by Government in providing subsidized fertilizer and seeds have supported the easing of inflation;
- v.** The Kenya Shilling exchange has strengthened against major international currencies, following the issuance of the US\$ 1.5 billion that de-risked the 2024 Eurobond and inflow of dollar liquidity to the Infrastructure Bond. By end July 2024, the Kenya Shilling strengthened against the US Dollar to exchange at an average of Ksh 129.8 in July 2024 from Ksh 160.8 in January 2024; and
- vi.** The external sector remains strong. The current account deficit improved to 3.7% of GDP in the 12 months to June 2024 from 4.2% of GDP in a similar period of 2023.

Remittances increased to USD 4,536 million in the 12 months to June 2024, and were 12.9% higher compared to a similar period in 2023. This increases forex inflows into the country, some going to investment while others support household consumption.

Official foreign exchange reserves at USD 8,462.7 million (4.6 months of import cover) by end June 2024, provide adequate buffers and gives market confidence.

In order to support the Government's Bottom-Up Economic Transformation Agenda (BETA), the National Treasury has implemented a growth responsive fiscal consolidation plan over the last two years designed to reduce debt vulnerabilities and rebuild fiscal buffers amid significant global and domestic challenges. Special focus has been placed on broadening the revenue base and containing non-priority expenditures while enhancing social safety nets with the support of our Development Partners.

In order to support debt sustainability and fiscal consolidation, the National Treasury has implemented the following measures:

- i. Developed a National Tax Policy that was approved by Parliament in December 2023 sets out broad parameters on tax policy and other tax related matters. The Policy provides broad guidelines for governing tax administration and the tax system in Kenya. More specifically, the policy provides a set of guidelines for taxation of income, goods and services and forms the basis for review of tax legislation, development and administration;
- ii. Developed a Medium-Term Revenue Strategy (MTRS) that was approved by Cabinet on 27th November 2023. The MTRS is aligned to the National Tax Policy and is expected to further strengthen tax revenue mobilization efforts to 20.0 percent of GDP over the medium term;
- iii. Focused on unlocking additional non-tax revenue (Appropriation-in-Aid) potential by Ministries, Departments and Agencies through the services they offer to the public;
- iv. Embarked on tax policy review through a number of tax studies that will support the development of a progressive tax system. The objective of the review was to develop an elaborate tax policy that will raise adequate revenue to finance recurrent as well as development budgets. Specifically, the review targets to:-
 - (a) Develop diverse methods to enlarge the tax base;
 - (b) Minimize the tax expenditures that amount to Ksh 396.9 billion or 2.9% of GDP as of 2022. Of the Ksh 396.9 billion, 63.1% is on VAT refunds on zero rated final consumer goods; and
 - (c) Create a tax system that is not only predictable to taxpayers but also yields predictable revenues to Government.
- v. Develop a tax system that support markets, production, consumption and investments;

- vi. Strengthened tax administration by the Kenya Revenue Authority for enhanced compliance through leveraging on technology to revolutionize tax processes, seal revenue loopholes and enhance the efficiency of tax system;
- vii. Established a Fiscal Risk Committee in December 2022 in order to improve coordination of fiscal risks analysis, quantification and mitigation in line with best practice; and
- viii. Successfully implementation of the Extended Fund Facility and the Extended Credit Facility (EFF/ECF) arrangements supported by the IMF. The program has strengthened Kenya's ability to navigate through the recent multiple shocks and safeguard debt sustainability.

Implementation of these measures has yielded some positive dividends. Total revenue collection has grown by 23% from Ksh 2.2 trillion in FY 2021/22 to Ksh.2.7 trillion in FY 2023/24. Fiscal deficit including grants has declined from 6.2% of GDP in FY 2022/23 to 5.6% of GDP in FY 2023/24.

1.2 Environmental performance/climate change/mitigation of natural Disaster

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 over 30,000 seedlings at Kessup Forest Station thus contributing towards the 10 percent tree cover initiative. Additionally, to ensure a conducive work environment, the National Treasury has contracted a company to manage cleaning and waste disposal services.

1.3 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. Recruitment of officers is guided by the principles of the public service such as inclusivity among others.

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.

During the review period, we implemented succession management plan by declaring vacant posts to be filled by the Public Service Commission at the higher levels. This is in preparation for the anticipated in the next two years arising from retirement of officers who will have attained the exits mandatory retirement age. 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.

1.4 Operational Practices/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. Further, to ensure fairness in the allocation of procurement contracts, the National Treasury ensures strict adherence to the provisions of the Public Procurement and Assets Disposal Act and its regulations.

1.5 Community Engagements

Towards Corporate social responsibility, members of staff from the National Treasury participated in this year Annual Kaptagat Tree planting exercise which was graced by His Excellency the President in 1st July, 2023. The two-day exercise saw over 30,000 seedlings planted at Kessup Forest Station by the National Treasury staff, corporates and members of the community.

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.

9. 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 the National Government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.


The Accounting Officer in charge of the National Treasury is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the National Treasury for and as at the end of the financial year ended on June 30th, 2024. The responsibilities include: (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 National Treasury (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 30th, 2024, and of the entity's financial position as at that date. The Accounting Officer in charge of the National Treasury further confirms the completeness of the accounting records maintained for the National Treasury, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the National Treasury confirms that the National Treasury 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 National Treasury'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 6/12/24 2024.


.....
DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY
THE NATION TREASURY


.....
GEORGE K. GICHURU
Head of Accounting Unit
ICPAK M/NO.9262

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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, 2024

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of The National Treasury set out on pages 1 to 45, which comprise of the statement of financial assets and financial

liabilities as at 30 June, 2024, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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, 2024, 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 Opinion

1. Unsupported Prior Year Adjustment

The statement of financial assets and financial liabilities reflects a balance of Kshs.328,646,234 in respect of prior year adjustment which, as disclosed in Note 17 to the financial statements, includes a balance of Kshs.328,614,430 in respect of receivables from project accounts. However, the adjustment to write-off the receivables from the projects was not supported with project cash books, bank reconciliation statements and certificates of balance of the respective projects' balances.

In the circumstances, the accuracy and completeness of the balance of Kshs.328,646,234 in respect of prior year adjustment could not be confirmed.

2. Long Outstanding Deposits

The statement of financial assets and financial liabilities reflects a balance of Kshs.3,120,104,949 in respect of accounts payables – deposits as further disclosed in Note 15 to the financial statements. Included in this balance is Kshs.134,867,516 relating to general deposits. Review of the aging analysis for the general deposits revealed that, included in the balance is retentions from contractors of Kshs.61,007,909 out of which Kshs.23,478,212 had been held for a period of more than five(5) years contrary to Regulation 106 of the Public Finance Management (National Government) Regulations, 2015 which states, inter alia, that any deposit which has remained unclaimed for 5 years may, with the approval of the Cabinet Secretary, be paid into Consolidated Fund.

The balance of Kshs.134,867,516 further includes other deposits amounting to Kshs.73,859,607 out of which balances totaling Kshs.73,522,053 had been outstanding for over one year with some dating back to 2013.

In the circumstances, the accuracy, validity and completeness of the accounts payables - deposits of Kshs.3,120,104,950 could not be confirmed.

3. Un-updated Fixed Assets Register

Annex 4 to the financial statements on summary of fixed assets register reflects a closing balance of Kshs.82,814,047,266 which includes fixed assets additions for the year of Kshs.7,486,743,542. However, the fixed assets register provided did not indicate details of the costs or net book values of the assets held by The National Treasury.

In the circumstances, the accuracy and completeness of the balances reflected in the summary of fixed assets register could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.131,991,158,156 and Kshs.102,792,945,538 respectively, resulting in under-funding of Kshs. 29,198,212,618 or 22% of the budget. Similarly, The National Treasury spent Kshs.102,902,640,792 against actual receipts of Kshs.102,792,945,538 resulting to a deficit of Kshs.109,695,253.

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

2. Pending Accounts Payable

Note 21.2 to the financial statements reflects pending accounts payable balance of Kshs.22,645,349,902 comprising of historical bills incurred before 01 July, 2023 and additional bills relating to the year under review of Kshs.18,076,600,134 and Kshs.4,568,749,767, respectively. As at time of audit in December, 2024 bills worth Kshs.3,933,959,349 relating to the financial year 2023/2024 had been settled. However, review of the listing provided and documents relating to pending bills revealed that bills totalling Kshs.1,454,405 relating to the year 2022/2023 were not settled in the year.

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

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Unresolved Prior Year Matters

1.1. Loans to Kenya Airways Limited

As previously reported, in the FY 2022-2023 The National Treasury transferred an amount of Kshs.10,000,000,000 to Kenya Airways as on lent loan. This was in addition to other loan disbursements to the Company totalling Kshs.31,270,000,000 remitted between 2019/2020 and 2021/2022 resulting to total loan amount of Kshs.41,270,000,000. However, review of documents and correspondences between The National Treasury and the entity revealed that the loans were disbursed before the loan agreements were signed.

Further, records available indicated that the loans issued had accrued interest and penalties totalling Kshs.1,778,075,609 that remained outstanding as at 31 December, 2022 bringing the total accumulated loan to Kshs.43,048,075,609.

In addition, records at The National Treasury indicated that, the Government paid an amount of Kshs.12,326,894,172 being foreign loan repayment of Kshs.10,635,604,751 and finance costs of Kshs.1,691,289,421 out of which Kshs.7,812,582,663 was made under Article 223 of the Constitution of Kenya 2010. The amount was in respect to guaranteed debt to the Company with a foreign bank which was defaulted. As a result, the total outstanding amount due from Kenya Airways as at 30 June, 2023 stood at Kshs.55,374,969,781.

However, there was no evidence that The National Treasury had entered into any formal agreement with Kenya Airways on how the guaranteed loan repayments amounting to Kshs.12,326,894,172 would be recovered and whether the Airline had provided any security to the Government as a fall back.

In the circumstances, the recoverability of the loans to Kenya Airways Limited amounting to Kshs.55,374,969,781 could not be confirmed.

1.2. Unapproved Expenditure on Purchase of Shares

As previously reported, The National Treasury incurred an expenditure of Kshs.6,196,584,631 in respect of acquisition of sixty percent (60%) shareholding of Telkom Kenya. The expenditure was incurred under Article 223 of the Constitution.

Although, The National Treasury submitted the expenditure for approval by the National Assembly as part of the supplementary budget as required by Section 44 (1) of the Public Finance Management Act, 2012, which states that the national government shall submit to parliament for approval a supplementary budget in support of money spent under Article 223 of the Constitution, the expenditure was not approved by the National Assembly.

In the circumstances, the propriety of the expenditure amounting to Kshs.6,196,584,631 could not be confirmed.

2. Status on Implementation of the National Assembly Recommendations

The National Assembly adopted and made recommendations on the report of the Auditor-General on the financial statements for the National Government Ministries, Departments and Agencies for the year ended 30 June, 2021 on the 20 February, 2024. However, as at the time of the audit in December, 2024, Management had not provided a status report on the implementation of the recommendations as required by Section 53(1) of the Public Audit Act, 2015.

Other Information

The Management is responsible for the other information set out on page ii to li which comprise of National Treasury Information and Management, Statement of Governance, Statement by Cabinet Secretary, Statement by Principal Secretary, Statement of Performance against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Incomplete Contracts Under the Closed Financial Sector Support Project

Review of records with respect to the Financial Sector Support Project (FSSP) under the National Treasury revealed that the project was closed on 30 June, 2023 and all ongoing contracts transferred to the beneficiary institutions. Review of the status reports for the transferred consultancies revealed that various milestones have not been achieved to date as listed below.

Activity	Contract Amount (Kshs.)	Remarks
Hire of Public Relations agency to prepare and conduct publicity events for the Kenya Deposit Insurance Corporation (KDIC).	27,899,160	Kshs.8,369,748 for milestone 1 and 2 paid under the project before handing over to KDIC. KDIC paid Kshs.5,579,832 for milestone 3 while milestone 4 and 5 were never achieved nor paid for despite having been contracted. Value for money on the contract may not be obtained.
Consultancy contract for Sacco's Societies Regulatory Authority to review IT system, make recommendations for Risk Based Supervision system, upgrade of Enterprise Resource Planning.	30,010,474	The contract had four milestones out of which the final two milestones were not attained yet Kshs.18,006,284 had been paid for milestone 1 and 2.

In the circumstances, value for money for the expenditure incurred in the two consultancies may not be obtained.

2. Irregular Secondment of Staff

Review of human resources records and personal files of staff on secondment to and from The National Treasury revealed that an officer on secondment from the Kenya Trade Network Agency (KENTRADE) had exceeded the two-term limit (two years each) for secondment with records indicating that his secondment was indefinite. In addition, an officer who was seconded to the Public Finance Management Reform (PFMR) Secretariat had previously served the maximum two-term limit at the programme. Further, an officer whose secondment to the National Government Constituency Development Fund (NGCDF) lapsed on 31 December, 2021 had not resumed duties at The National Treasury.

This was contrary to Regulation 37(4) of the Public Service Commission Regulations, 2020 which states, *inter alia*, that secondment shall be for a period not exceeding three (3) years and may be renewed once for a further period not exceeding three (3) years after which upon expiry of the secondment period the officer on secondment may opt to transfer service, resign or retire.

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

3. Non-Compliance with the One-Third of Basic Salary Rule

During the year under review, one hundred and eighty-four (184) employees earned a net salary less than one-third ($\frac{1}{3}$) of their basic salary. As a result, deductions amounting to Kshs.13,868,479 during the year were not effected but were deferred thus risking pecuniary embarrassment by staff. This was contrary to Section 19(3) of Employment Act, 2007 which states, *inter alia*, that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds ($\frac{2}{3}$) of such wages.

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

4. Non-adherence to the Constitution on Disbursement of Funds to the Equalisation Fund

The statement of receipts and payments reflects transfers to other government entities balance of Kshs.59,498,944,563. Included in the balances is Kshs.1,030,000,000 transferred to the Equalization Fund during the year against a budgetary provision of Kshs.10,077,400,000.

Review of records at the Fund indicate that only an amount of Kshs.13,430,000,000 out of the expected total entitlement of Kshs.59,954,788,050 from the years 2011/2012 to 2023/2024 had been transferred to the Equalisation Fund Account as tabulated below:

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2011/2012	468,151,970,000	2,340,759,850	-
2012/2013	529,300,000,000	2,646,500,000	-
2013/2014	529,300,000,000	2,646,500,000	-
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	-
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	-
2018/2019	776,900,000,000	3,884,500,000	-
2019/2020	776,900,000,000	3,884,500,000	-

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2020/2021	1,357,698,000,000	6,788,490,000	-
2021/2022	1,357,698,000,000	6,788,490,000	-
2022/2023	1,413,694,840,000	7,068,474,200	-
2023/2024	1,673,715,000,000	8,368,574,000	1,030,000,000
Total	11,990,957,810,000	59,954,788,050	13,430,000,000

The National Treasury had not remitted the outstanding balance of Kshs.46,524,788,050 to the Fund as at 30 June 2024. This was contrary to Article 204 of the Constitution of Kenya, 2010 which requires that one half per cent of all the revenue collected by the National Government each year calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly shall be paid into the Equalization Fund.

In the circumstances, Management was in breach of the law and the objectives of the Fund may not be realized.

5. Wasteful /Avoidable Expenditure on Court Award

The statement of receipts and payments reflects expenditure on other grants and transfers of Kshs.59,467,476,396 as disclosed in Note 8 to the financial statements. The amount includes expenditure on other capital grants and transfers of Kshs.12,321,994,396 which further includes an amount of Kshs.882,400,262 in respect of a part payment of the decretal sum of Kshs.4,099,636,848 awarded to a firm by the High Court.

Review of records revealed that The National Treasury entered into a contract for the construction of a National Disaster Recovery Center with a Contractor for a contract sum of Kshs.782,799,814 in 2009 for a period of ninety-six (96) weeks. The scope of the contract was increased and implemented in three phases with Phase I having the contract sum of Kshs.899,560,075 while Phase II had a contract sum of Kshs.205,317,854. The two phases were completed and paid. A dispute on the award of Phase III arose over a claim of Kshs.193,540,606 in respect of retention and compensation for idle resources and expenses. During arbitration, the contractor was awarded a decretal sum of Kshs.4,099,636,848 in respect of loss of profits and other associated costs. As at 30 June, 2024, the outstanding amount had risen to Kshs.5,548,245,288 due to accrued interest. Although, the arbitration decision was adopted by the High Court and the Attorney-General indicated that the possibilities of success in case of an appeal are slim and advised Management to negotiate with the contractor, no evidence of negotiations having taken place was provided. The payments would have been avoidable had Management managed the contract in accordance with then applicable laws and regulations. Furthermore, the project remains unutilized despite the significant expenditure.

In the circumstances, the value for money from the payment of Kshs.1,987,278,191 could not be confirmed and full payment of the amount will adversely affect the budgetary allocation for the Ministry and is not in public interest.

6. Irregular Reallocation of Funds

The statement of statement of receipts and payments reflects an amount of Kshs.1,200,000,000 in respect of other payments which, as disclosed in Note 14 to the financial statements, related to civil contingency reserves. Review of records revealed that the expenditure was charged under the Civil Contingencies Fund but was however, disbursed directly as Authority to Incur Expenditure to various entities for the mitigation of floods. However, no explanation was provided on why the funds were not transferred to the Contingencies Fund as budgeted. This irregular reallocation was contrary to Section 43(1)(a) of the Public Finance Management Act, 2012 which requires that an accounting officer may reallocate funds from the authorised use but may not reallocate funds where the funds are appropriated for transfer to another government entity or person.

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

7. Funding of a Partially Owned Government Entity

The National Treasury, through the Ministry of Mining, Blue Economy and Maritime Affairs, funded the Kenya National Shipping Line Limited's budget at Kshs.68,000,000, Kshs.65,000,000 and Kshs.118,000,000 for the financial years 2021/2022, 2022/2023 and 2023/2024, respectively. However, the Company is partially owned by a private party and carries out commercial activities that allow it to collect its own revenue. It is not clear why the Company continues to receive significant budgetary allocations from The National Treasury despite generating its own revenue through commercial activities.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weaknesses in Processing of Work Injury Benefits

The statement of receipts and payments reflects expenditure on use of goods and services of Kshs.23,008,328,402 and as disclosed in Note 7 to the financial statements. The balance includes insurance costs of Kshs.2,148,068,372 out of which a total amount of Kshs.148,068,372 was paid as compensation for various injuries and death of public servants. Review of the sampled expenditure amounting to Kshs.35,003,429 and claim files revealed various weakness ranging from late reporting of injuries against provisions of the law and missing supporting documents at the time of lodging the claims.

In the circumstances, the effectiveness of controls on compensations and management of the Work Injury Benefits could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing The National Treasury ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable of accounting unless Management is aware of the intention to terminate The National Treasury or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024


11. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024

	Note	2023/24	2022/2023
		Kshs	Kshs
RECEIPTS			
Tax Receipts	1	-	28,173,372,506
Exchequer Releases	2	86,489,016,632	72,951,394,245
Proceeds from Domestic and Foreign Grants	3	4,389,431,697	7,549,573,761
Proceeds from Foreign Borrowings	4	186,909,667	1,639,017,830
Other Receipts	5	11,727,587,542	9,506,533,524
TOTAL REVENUES		102,792,945,538	119,819,891,866
PAYMENTS			
Compensation of Employees	6	3,498,202,815	3,326,881,803
Use of goods and services	7	23,009,465,638	21,059,164,752
Transfers to Other Government Units	8	59,498,944,563	77,939,079,780
Other grants and transfers	9	8,172,145,015	4,389,587,284
Social Security Benefits	10	37,139,219	54,522,372
Acquisition of Assets	11	7,486,743,542	6,847,919,547
Other Payments	14	1,200,000,000	6,196,584,631
TOTAL PAYMENTS		102,902,640,792	119,813,740,169
SURPLUS/DEFICIT		(109,695,253)	6,151,697

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 6/12/2024 and signed by:

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Dr. Chris Kiptoo, CBS
Principal Secretary

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George K. Gichuru
Head of Accounting Unit
ICPAK M/No. 9262


12. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS AT 30TH JUNE 2024

	Note	2023/24	2022/2023
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	3,132,930,494	3,650,555,662
Cash Balances	12B	736,394	448,582
Total Cash and Cash Equivalents		3,133,666,888	3,651,004,244
Accounts Receivables - Outstanding Imprest and Clearance Accounts	13	1,349,760,493	1,795,512,222
TOTAL FINANCIAL ASSETS		4,483,427,381	5,446,516,466
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	15	3,120,104,949	3,644,852,547
NET FINANCIAL ASSETS		1,363,322,432	1,801,663,919
REPRESENTED BY			
Fund balance b/fwd	16	1,801,663,919	1,803,339,556
Surplus/deficit		(109,695,253)	6,151,696
Prior year adjustments	17	(328,646,234)	(7,827,334)
NET FINANCIAL POSITION		1,363,322,432	1,801,663,919

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 6/12/2024 and signed by:

..........

Dr. Chris Kiptoo, CBS
Principal Secretary

..........

George K. Gichuru
Head of Accounting Unit
ICPAK M/No. 9262

13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2024

	Note	2023/24	2022/23
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Receipts	1	-	28,173,372,506
Exchequer Releases	2	86,489,016,632	72,951,394,245
Proceeds from Domestic and Foreign Grants	3	4,389,431,697	7,549,573,761
Other Receipts	5	11,727,587,542	9,506,533,524
		102,606,035,871	118,180,874,036
Payments for operating expenses			
Compensation of Employees	6	3,498,202,815	3,326,881,803
Use of goods and services	7	23,009,465,638	21,059,164,752
Transfers to Other Government Units	8	59,498,944,563	77,939,079,780
Other grants and transfers	9	8,172,145,015	4,389,587,284
Social Security Benefits	10	37,139,219	54,522,372
Other Payment	14	1,200,000,000	6,196,584,631
		95,415,897,250	112,965,820,622
Adjusted for:			
Changes in receivables	18	445,751,729	(4,572,625)
Changes in payables	19	(524,747,598)	(3,064,192)
Adjustments during the year	17	(328,646,234)	(7,827,334)
Net cashflow from operating activities		6,782,496,519	5,199,589,263

CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11	(7,486,743,542)	(6,847,919,547)
Net cash flows from Investing Activities		(7,486,743,542)	(6,847,919,547)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	4	186,909,667	1,639,017,830
Net cash flow from financing activities		186,909,667	1,639,017,830
NET INCREASE IN CASH AND CASH EQUIVALENT		(517,337,356)	(9,312,454)
Cash and cash equivalent at BEGINNING of the year		3,651,004,244	3,660,316,697
Cash and cash equivalent at END of the year	8	3,133,666,888	3,651,004,243

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 6/12/24 2024 and signed by:



Dr. Chris Kiptoo, CBS
Principal Secretary



George K. Gichuru
Head of Accounting Unit
ICPAK M/No. 9262

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FY 2023/2024

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation Difference to Final Budget f=d/c %
RECEIPTS						
Proceeds from Domestic & Foreign Grants	13,967,076,186	(4,869,302,227)	9,097,773,959	4,389,431,697	4,708,342,262	48%
Exchequer releases	107,285,658,649	1,489,820,780	108,775,479,429	86,489,016,632	22,286,462,797	80%
Proceeds from Foreign Borrowings	0	708,030,580	708,030,580	186,909,667	521,120,913	26%
Other Receipts	7,436,314,306	5,973,559,882	13,409,874,188	11,727,587,542	1,682,286,646	87%
Total Receipts	128,689,049,141	3,302,109,015	131,991,158,156	102,792,945,538	29,198,212,618	78%
Payments						
Compensation of Employees	25,573,914,200	(21,943,205,970)	3,630,708,230	3,498,202,815	132,505,415	96%
Use of goods and services	29,891,407,013	(1,938,644,995)	27,952,762,019	23,009,465,638	4,943,296,381	82%
Transfers to Other Government Units	63,237,739,459	13,201,327,315	76,439,066,774	59,498,944,563	16,940,122,211	78%
Other Grants & transfers	4,442,014,306	5,347,417,355	9,789,431,661	8,172,145,015	1,617,286,646	83%
Social Security Benefits	55,279,642	7,212,938	62,492,580	37,139,219	25,353,361	59%
Acquisition of Assets	4,288,694,521	8,928,002,372	12,916,696,893	7,486,743,542	5,429,953,351	58%
Other Payments	1,200,000,000	0	1,200,000,000	1,200,000,000	0	100%
Grand Total	128,689,049,141	3,302,109,016	131,991,158,157	102,902,640,792	29,088,517,365	78%
Surplus/Deficit				(109,695,253)	109,695,253	

*The National Treasury
Annual Report and Financial Statements for the year ended 30th June 2024*

Notes

(a) Variance analysis

- i. Proceeds from Domestic and Foreign Grants – The under collections was due to stringent donor requirements that took long to be attained*
- ii. Proceeds from foreign borrowings – The under collection was due to difficulties in obtaining a no objection from the development partners.*
- iii. Compensation of Employees – The Underutilization was due to lack of exchequer*
- iv. Use of Goods and Services – The Underutilization was due to lack of exchequer*
- v. Transfer to Other Government Units – The Underutilization was due to lack of exchequer*
- vi. Social Security Benefits - The Underutilization was due to lack of exchequer*
- vii. Acquisition Assets - The Underutilization was due to lack of exchequer*

(b) Budget Variance within the year are as a result of reallocations within the budget

The entity financial statements were approved on 6/12/2024 and signed by:



Dr. Chris Kiptoo, CBS
Principal Secretary



George K. Gichuru
Head of Accounting Unit
ICPAK M/No. 9262

14 (a) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: RECURRENT FOR FY
2023/2024

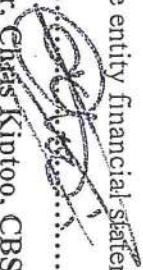
Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Exchequer releases	69,231,969,760	(7,304,384,555)	61,927,585,205	57,505,276,565	4,422,308,640	93%
Other Receipts	7,436,314,306	5,973,559,882	13,409,874,188	11,727,587,542	1,682,286,646	87%
Total Receipts	76,668,284,066	(1,330,824,673)	75,337,459,393	69,232,864,107	6,104,595,286	92%
PAYMENTS						
Compensation of Employees	25,496,640,000	(21,950,093,389)	3,546,546,611	3,432,556,837.85	113,989,773	97%
Use of goods and services	13,610,042,179	2,795,195,766	16,405,237,945	16,097,439,525.65	307,798,419	98%
Transfers to Other Government Units	32,958,915,694	12,457,969,965	45,416,885,659	41,360,325,270	4,031,308,140	91%
Other grants and transfers	4,442,014,306	5,347,417,355	9,789,431,661	8,172,145,014.95	1,617,286,646	83%
Social Security Benefits	27,939,485	-	27,939,485	15,551,706	12,387,779	56%
Acquisition of Assets	132,732,402	18,685,631	151,418,033	146,257,852	5,160,181	97%
Grand Total	76,668,284,066	(1,330,824,673)	75,337,459,393	69,224,276,207	6,087,930,938	92%
Surplus/Deficit				8,587,900	16,664,347	

Notes

(a) Variance analysis

- i. Other Receipts – The Under collection of other receipts was due to decrease in import declaration fee imposed under section 7 of the Miscellaneous Fees and Levies Act, 2016.
 - ii. Transfers to Other Government Units – The Underutilization was due to lack of exchequer
 - iii. Other Grants and Transfers – The Underutilization was due to lack of exchequer
 - iv. Social Security Benefits – The underutilization was due to lack of exchequer.
- (b) Budget variance within the year is as a result of reallocations within the budget.

The entity financial statements were approved on 21/12 2024 and signed by:


.....
Dr, Chais Kiptoo, CBS

Principal Secretary


.....

George K. Gichuru

Head of Accounting Unit

ICPAK M/No. 9262

14 (b) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: DEVELOPMENT FOR FY 2023/2024

Revenue/Expense Item	Original Budget a	Adjustments h	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants	13,967,076,186	(4,869,302,227)	9,097,773,959	4,389,431,697	4,708,342,262	48%
Exchequer releases	38,053,688,889	8,794,205,335	46,847,894,224	28,983,740,067	17,864,154,157	62%
Proceeds from Foreign Borrowings	-	708,030,580	708,030,580	186,909,667	521,120,913	26%
Total Receipts	52,020,765,075	4,632,933,688	56,653,698,763	33,560,081,431	23,093,617,332	59%
Payments						
Compensation of Employees	77,274,200	6,887,419	84,161,619	65,645,977.00	18,515,642	78%
Use of goods and services	16,281,364,834	(4,733,840,760)	11,547,524,074	6,912,026,112.2	4,635,497,962	60%
Transfers to Other Government Units	30,278,823,765	743,357,350	31,022,181,115	18,138,619,292	12,883,561,822	58%
Social Security Benefits	27,340,157	7,212,938	34,553,095	21,587,513.00	12,965,582	62%
Acquisition of Assets	4,155,962,119	8,609,316,741	12,765,278,860	7,340,485,690	5,424,793,170	58%
Other Expenses	1,200,000,000	-	1,200,000,000	1,200,000,000.00	0	100%
Grand Total	52,020,765,075	4,632,933,688	56,653,698,763	33,678,364,585	22,975,334,178	59%
Surplus/Deficit	0	0	0	(118,283,153)	118,283,153	

(a) Variance analysis

- i. Proceeds from Domestic and Foreign Grants – The under collections was due to stringent donor requirements that took long to be attained
 - ii. Proceeds from foreign borrowings – The under collection was due to difficulties in obtaining a no objection from the development partners.
 - iii. Compensation of Employees – The Underutilization was due to lack of exchequer
 - iv. Use of Goods and Services – The Underutilization was due to lack of exchequer
 - v. Transfer to Other Government Units – The Underutilization was due to lack of exchequer
 - vi. Social Security Benefits - The Underutilization was due to lack of exchequer
 - vii. Acquisition Assets - The Underutilization was due to lack of exchequer
- (b) Budget variance within the year are as a result of reallocations within the budget

The entity financial statements were approved on 6/12/2024 and signed by:


.....
Dr. Chris Kiptoo, CBS

Principal Secretary


.....
George K. Gichuru

Head of Accounting Unit
ICPAK M/No. 9262

14 (c) BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR FY 2023/2024.

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2023			2023	
	Kshs			Kshs	Kshs
General Admin. Planning and support services	74,445,475,659		74,445,475,659.00	63,997,887,255.10	10,447,588,403.90
Public Financial Management	42,691,815,266		42,691,815,266.00	25,749,118,471.90	16,942,696,794.10
Economic & Financial Policy Formulation and Mgt	14,423,767,231		14,423,767,231.00	12,725,389,464.70	1,698,377,766.30
Market Competition	430,100,000		430,100,000	430,100,000	0
Total	131,991,158,156		131,991,158,156.00	102,902,495,191.70	29,088,662,964.30

15. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation

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

2. Reporting Entity

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

3. Reporting Currency

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

Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by 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 been received.

Significant Accounting Policies (Continued)

(i) Transfers from the Exchequer

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

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment. During the year ended 30th June 2024, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) miscellaneous receipts

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

b) Recognition of payments

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

i) Compensation of Employees

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

Significant Accounting Policies (Continued)

ii) Use of Goods and Services

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

iii) Interest on Borrowing

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

iv) Principal on borrowing

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 and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

vi) 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.

Significant Accounting Policies (Continued)

vii) Third Party Payments

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

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits and retentions. As of 30th June 2024, note 15 amounted to Kshs 3,120,104,950 compared to Kshs 3,644,852,546 in prior period as indicated and there were no other restrictions on cash during the year.

d) Imprests and advances

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

Significant Accounting Policies (Continued)

e) Third party deposits and retention

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

f) Pending Bills

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

g) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in 28th June 2023 for the period 1st July 2023 to 30th June 2024 as required by Law and there were a number of supplementary adjustments to the original budget during the year.

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

Significant Accounting Policies (Continued)

h) Comparative Figures

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

i) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended 30th June 2024.

j) Prior Period Adjustment

During the year, errors that have been corrected are disclosed under note 17 explaining the nature and amounts.

k) Related Party Transactions

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

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

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

Significant Accounting Policies (Continued)

l) Contingent Liabilities

A contingent liability is:

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

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

Notes to the Financial Statements

1 Tax Receipts

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Taxes on Goods and Services	Nil	28,173,372,506
TOTAL	Nil	28,173,372,506

2 Exchequer Releases

Description	2023-2024	2022-2023
	Kshs	Kshs
Total Exchequer Releases for quarter 1	13,917,552,818	24,906,802,069
Total Exchequer Releases for quarter 2	15,670,681,062	11,083,326,700
Total Exchequer Releases for quarter 3	17,657,311,500	16,817,656,141
Total Exchequer Releases for quarter 4	39,243,471,252	20,143,609,335
TOTAL	86,489,016,632	72,951,394,245

See Annex 11

ANALYSIS OF EXCHEQUER BY SOURCE OF FUNDS 2023-2024	
DESCRIPTION	AMOUNT
RECURRENT GOK	57,505,276,565.15
DEVELOPMENT GOK	10,681,448,657.65
TOTAL GOK	68,186,725,222.80
DEVELOPMENT DONOR	18,302,291,409.45
TOTAL DONOR	18,302,291,409.45

Notes to the Financial Statements (continued)

3 Proceeds from Domestic and Foreign Grants

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2023-2024	2022-2023
				Kshs	Kshs
Study and Capacity Building					10,540,168
Public Debt Management Project				37,007,792	11,937,500
Special Global Fund Malaria NFM3				396,932,252	495,945,360
Special Global Fund HIV NFM3				3,778,891,182	6,425,298,883
Special Global Fund TB NFM3				175,840,471	292,247,250
EA Regional Trans, Trade & Dev Fac. Project					204,880,000
Horn of Africa Dev. Project					5,193,000
N.T Capacity strengthening project				760,000	3,605,400
FLLOCA Program					99,926,200
Total				4,389,431,697	7,549,573,761

4 Proceeds from Foreign Borrowings

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Foreign Borrowing - Direct Payments (East Africa Transport, Trade & Development Facilitation Project)	186,909,667	1,639,017,830
TOTAL	186,909,667	1,639,017,830

Notes to the Financial Statements (continued)

5 Other Receipts

	2023-2024	2022-2023
	Kshs	Kshs
Administrative fees and charges collected as AIA	3,687,442,527	5,116,946,240
Current Grants from International NGOs collected as AIA (African Union and Other International Org. Subscription Fund)	8,040,145,015	4,389,587,284
TOTAL	11,727,587,542	9,506,533,524

See Annex 12

6 Compensation of Employees

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Basic salaries of permanent employees	1,984,663,051	2,034,853,057
Basic wages of temporary employees	120,183,649	102,388,630
Personal allowances paid as part of salary	1,393,356,115	1,189,640,116
TOTAL	3,498,202,815	3,326,881,803

Notes to the Financial Statements (Continued)

7 Use of goods and services

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Utilities, Supplies and Services	148,357,540	142,084,433
Communication, Supplies and Services	35,977,825	29,050,764
Domestic Travel and Subsistence, and Other Transportation Costs	238,450,427	183,502,149
Foreign Travel and Subsistence, and other transportation costs	56,559,216	56,701,836
Printing , Advertising and Information Supplies and Services	14,231,103	9,247,894
Rentals of Produced Assets	73,426,063	42,730,207
Training Expenses	112,217,351	74,794,321
Hospitality Supplies and Services	302,862,350	346,126,809
Insurance Costs	2,148,068,372	2,803,260,488
Specialized Materials and Supplies	4,640,094,449	5,545,296,351
Office and General Supplies and Services	65,107,884	53,920,293
Fuel Oil and Lubricants	17,872,292	20,072,342
Other Operating Expenses	15,113,882,952	11,693,496,291
Routine Maintenance - Vehicles	21,404,824	34,414,115
Routine Maintenance - Other Assets	20,945,790	24,466,460
TOTAL	23,009,465,638	21,059,164,752

Notes to the Financial Statements (Continued)

8 Transfer to Other Government Units

Description	2023-2024	2022-2023
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of government	40,909,557,833	30,472,693,417
Capital grants to government agencies and other level of government	5,746,089,339	43,677,829,870
Other Current Transfer, Grants and subsidies	486,897,551	-
Other Capital Grants and Trans	12,356,399,840	3,788,556,493
TOTAL	59,498,944,563	77,939,079,780

8 b: Transfers to self – Reporting Entities in the Year.

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

Description	Recurrent	Development	Total for the year	2022-2023
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs	41,396,455,384	5,746,089,339	47,142,544,723	74,150,523,287
Transfers to Projects-GoK counterpart funding		12,356,399,840	12,356,399,840	3,788,556,493
Total	41,396,455,384	18,102,489,179	59,498,944,563	77,939,079,780

See Annex 13

9 Other Grants and Transfers

Explanation	2023-2024	2022-2023
	Kshs	Kshs
Membership dues and subscriptions to international organizations (AU & Other Int. Sub)	7,526,324,471	3,792,858,617
Membership dues and subscriptions to international organizations (continued) (AU & Other Int. Sub)	645,820,544	596,728,667
Total	8,172,145,015	4,389,587,284

10 Social Security Benefits

	2023-2024	2022-2023
	Kshs	Kshs
Government pension and retirement benefits	37,139,219	54,522,372
Total	37,139,219	54,522,372

Notes to the Financial Statements (Continued)

11 Acquisition of Assets

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Non-Financial Assets		
Construction of Buildings	15,000,000	24,496,812
Refurbishment of Buildings	130,883,513	49,610,870
Overhaul and Refurbishment of Construction and Civil Works	40,000,000	42,187,215
Purchase of Vehicles and Other Transport Equipment	63,493,920	-
Purchase of Office Furniture and General Equipment	87,956,127	67,550,623
Purchase of Specialized Plant, Equipment and Machinery	431,132,915	104,833,821
Purchase of ICT Equipment, Software and other ICT Assets	-	249,284,089
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	5,341,376,167	-
Domestic Equity Participation	57,000,000	-
Foreign Equity Participation	1,319,900,900	6,309,956,118
TOTAL	7,486,743,542	6,847,919,547

Notes to the Financial Statements (Continued)

12 Cash and Bank Accounts

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts (Note 12 A)	3,132,930,494	3,650,555,661
Cash on hand (Note 12 B)	736,394	448,582
Total	3,133,666,888	3,651,004,243

12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	2023-2024	2022-2023
			Kshs	Kshs
<i>TNT Recurrent CBK A/C No. 1000181467</i>	Kshs	Recurrent	5,599,729	32,684
<i>Development CBK A/C No. 1000181664</i>	Kshs	Development	7,225,815	5,670,431
<i>Deposit CBK A/C No. 1000182137</i>	Kshs	Deposit	134,867,516	53,513,522
<i>PDL CBK A/C No. 1000205024</i>	Kshs	Deposit	2,985,237,434	3,591,339,025
Total			3,132,930,494	3,650,555,661

See Annex 14

Notes to the Financial Statements (Continued)

12B: Cash on hand

Description	2023-2024	2022-2023
	Kshs	Kshs
Cash in hand – Held in domestic currency	736,394	448,582
Total	736,394	448,582

Detailed Cash is as follows:

Description	2023-2024	2022-2023
	Kshs	Kshs
Location 1 National Treasury Cash Office	736,394	448,582
Total	736,394	448,582

13 : Imprests and Advances

Description	2023-2024	2022-2023
	Kshs	Kshs
Advance to MDAs and Projects	1,344,086,022	1,792,177,897
Government Imprests	3,808,910	2,320,940
Salary advances	848,262	605,548
District suspense	1,017,299	407,837
Total	1,349,760,493	1,795,512,222

See Annex 15

Notes to the Financial Statements (Continued)

14 Other Payments

Description	2023-2024	2022-2023
	Kshs	Kshs
Jamhuri Holdings		6,196,584,631
Civil Contingency Reserves	1,200,000,000	-
Total	1,200,000,000	6,196,584,631

15 Accounts Payable

Item Description	2023-2024	2022-2023
	Kshs	Kshs
Deposits	134,867,516	53,513,522
Other Deposits	2,985,237,434	3,591,339,025
TOTAL	3,120,104,950	3,644,852,546

See Annex 16

16 Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank Accounts	3,650,555,661	3,657,492,025
Cash in hand	448,582	2,824,672
Imprests and advances	1,795,512,222	1,790,939,597
Third party deposits and retention	(3,644,852,546)	(3,647,916,738)
Total	1,801,663,919	1,803,339,557

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Notes to the Financial Statements (Continued)

17 Prior Year Adjustments

	Balance b/f from 2022/2023 per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f 2023/2024
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	3,650,555,662	(31,804)	3,650,523,858
Receivables - Projects Accounts	1,795,512,222	(328,614,430)	1,466,897,792
		(328,646,234)	

See Annex 17

18 (Increase)/ Decrease in Advances and Imprests

Description	2023-2024	2022-2023
	Kshs	Kshs
Receivables As At 1 st July 2023	1,795,512,222	1,790,939,597
Receivables As At 30 th June 2024	1,349,760,493	1,795,512,222
(Increase)/ Decrease in Receivables	445,751,729	(4,572,625)

19 Increase/ (Decrease) in Accounts Payable

Description	2023-2024	2022-2023
	Kshs	Kshs
Payables As At 1 st July 2023	3,644,852,546	3,647,916,738
Payables As At 30 th June 2024	3,120,104,949	3,644,852,546
Increase/ (Decrease) In Payables	(524,747,598)	(3,064,192)

Notes to the Financial Statements (Continued)

20 Related Party Disclosures

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) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

Other Important Disclosures

21.1 Related party transactions:

Description	2023-2024	2022-2023
	Kshs	Kshs
Key Management Compensation	218,287,676	218,287,676
Transfers to Related Parties		
Transfers to other MDAs	41,421,707,632	30,472,693,417
Transfers to Development Project	18,077,236,932	47,458,790,987
Transfer to other Non -Reporting Government Entities	0	0
Total Transfers to Related Parties	59,498,944,563	77,939,079,780
Purchase of Goods and Services		
Purchase of Electricity from KPLC	148,357,540	142,084,433
Rent paid to Govt. Agencies	73,426,063	42,730,207
Training Fees paid to Govt Agencies	112,148,051	70,520,937
Conference Facilities hired from Govt. Agencies	302,807,750	350,095,193
Others (Specify)	22,371,588,99	20,453,733,980
Total Goods and Services paid to Govt. Agencies	23,008,328,402	21,059,164,752
Transfers from Related Parties		
Transfers from the Exchequer	86,489,016,632	72,951,394,245
Total Transfers from Related Parties	86,489,016,632	72,951,394,245

Other important disclosures (continued)

21.2 Pending Accounts Payable (See Annex 1)

	Balance b/f 2022/2023 FY	Additions for the period	Paid during the year	Balance c/f 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Supply of Services and goods	26,478,682,631.36	4,568,749,767.28	8,402,082,496.85	22,645,349,901.79
Total				

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Notes to the Financial Statements (Continued)

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2022-2023	1. Long Outstanding Salary Advances	<p>This was an omission. The six (6) officers were transferred to various MDA's and the recovery of outstanding salary advance was included in the last pay certificate (LPC) which were to be deducted and remitted to the Principal Secretary, the National Treasury. However, the recoveries were not remitted as required. The Management adheres to the Public Service Human Resource Policies and Procedures Manual 2016 and therefore has initiated the process and written a reminder letters to the concerned MDA's for the recoveries to be remitted for our record and reconciliation vide letters No.MOF/HRM/CONF/77/019/(78) dated 3rd June 2020 and TNT/HRM/CONF/77/019/ (25) dated 4th December 2023.</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>Audit Report on the Financial Statements 2022-2023</p>	<p>2.Loans to Kenya Airways Limited</p>	<p>Copies of Payment Vouchers to Tax Appeal Tribunal and Nairobi Financial Centre and confirmation of receipts from the two agencies have since been provided for audit review. It is also true that Kshs 10 Million was transferred to Kenya Airways (KQ) as part of the on-lent loans by Government. Kshs 10 million transferred to KQ in 2022/2023 FY was part of disbursements of the Loan amounting to Kshs 16,270 Million that was on-lent to KQ. The Audit has reported that there is no Agreement. The process of preparing the Subsidiary Loan Agreement is normally loan and is as follows; 1. It entails discussion and negotiation with several parties involved including the National Treasury, Line Ministry (Ministry of Transport), the Implementing Agency (KQ) and the Office of the Attorney General;</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2022-2023		<p>2. Upon drafting of the Subsidiary Loan Agreement, it is sent to the various agencies party to the loan for comments;</p> <p>3. Upon receipt of the comments from KQ and the Line Ministry, the National Treasury incorporates them then seek Legal Clearance from the Office of Attorney General; and</p> <p>4. The Office of the Attorney General can then either clear the drafted Subsidiary Loan Agreement or request for additional information and documentation.</p> <p>As far as the KQ subsidiary loan agreement is concerned, the Office of the Attorney General requested for the additional information.</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	FY 2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Audit Report on the Financial Statements 2022-2023</p>	<p>3. Unapproved Expenditure on Purchase of Shares</p> <p>4. Failure to Account for Promotional Materials</p>	<p>The acquisition of the shareholding was a decision of the Cabinet on the recommendation of The National Security Council. The expenditure was incurred under article 223, However the National Assembly did not approve the proposed allocation that was to regulate the same.</p> <p>The contract provided that the Ministry be enrolled in the company's loyalty program and a conditions precedent to renewal of the contract, the company was to deliver redemptions items to the National Treasury. Records available indicate that the company delivered 92 phones and 75 phones being first- and second-year redemptions respectively as listed below.</p> <p>Redemption Year 13- Iphone 79 Samsung A12 Nokia Pro max</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																
Audit Report on the Financial Statements 2022-2023		<p>2</p> <table border="0"> <tr> <td>Year</td> <td>11</td> <td></td> <td></td> </tr> <tr> <td>(no)-</td> <td>63</td> <td></td> <td>1</td> </tr> <tr> <td>lphone</td> <td>12</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>25</td> <td>142</td> <td>1</td> </tr> </table> <p>The management wish to account for the promotional materials from M/s Safaricom PLC as follows;</p> <ol style="list-style-type: none"> There was no oversight. The items were directly delivered to the consumer (Government Digital Payment Unit) without being received in the store; That, year 1 redemption were delivered to the Government Digital Payment unit on 19th February, 2021 and issued by the then Ag. Director, Government Digital Payment Unit; and That, year 2 redemption were delivered to the Government Digital Payment unit on 31st August, 2021 and issued as 	Year	11			(no)-	63		1	lphone	12			Total	25	142	1	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2024/2025
Year	11																			
(no)-	63		1																	
lphone	12																			
Total	25	142	1																	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>Audit Report on the Financial Statements 2022-2023</p>	<p>5. Budgetary Control and Performance</p>	<p>The underutilisation of the budget was due to exchange under issue during the F/y 2022/2023. Strict budgetary control provisions shall be observed and measures have been put in place to improve budget absorption.</p> <p>distributed in the attached Accounting Officer approval.</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>
	<p>6. Pending Accounts Payable</p>	<p>It is true that the Ministry closed the year with pending bills totalling Kshs. 7,703,536,902 The reasons for the bills are due to:</p> <ul style="list-style-type: none"> • Lack of exchange funding. • Not all invoices were paid due to lack of funding • The bills that resulted from a court awards. 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2022-2023	7. Unresolved Prior Year Matters	It is true the Ministry and the Public Accounts Committee (PAC) has not met to deliberate on the unresolved issues for F/Y 2021/2022. The invitation to appear before PAC is being awaited.	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2024/2025
	8. Wasteful/Avoidable Expenditure on Court Award	<p>The National Treasury entered into a contract No. TNT/017/2015-2016 for supply and delivery of maintenance spares for air conditioning units in Herufi and Treasury Data Centres for a contract sum of Kshs 504,710,200.00.</p> <p>The Contractor delivered the spare parts as follows:-</p> <ol style="list-style-type: none"> 1. Invoice dated 6th October, 2023 for Kshs 120,686,400.00 2. Invoice dated 6th April, 2017 for Kshs 147,830,400.00 3. Invoice dated 7th February, 2018 for Kshs 221,606,400.00 4. Invoice dated 22nd March, 2018 for Kshs 14,076,600.00 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>Audit Report on the Financial Statements 2022-2023</p>		<p>The National Treasury cleared invoice 1 & 2 amounting to Kshs 268,516,800.00. When the 3&4th invoices were presented, the Accounting Officer vide memo Ref No. TNT/021/2017-2018 Part 1(3) dated 9th February, 2018 and TNT/021/2017-2018 Part 1(12) 17th April, 2018 to review the invoices against the contract</p> <p>The committee concluded their mandate and prepared a report date 30th April, 2019</p> <p>Before the matter was concluded, the Contractor, M/s Misort Africa Limited took the matter to the High Court vide Civil suit No 182 of 2019 dated 25th July, 2019.</p> <p>In addition, the matter was also referred to EACC for investigation vide letter dated 22nd July, 2019.</p> <p>When EACC cleared the matter, the same was still pending at the High</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Audit Report on the Financial Statements 2022-2023</p>		<p>Court. The High court cleared the matter and the same was communicated by the Attorney General vide letter dated 25th October, 2022 advising the National Treasury to pay M/s Misort Africa Limited</p> <p>The National Treasury was not able to pay immediately due to lack of relevant budget. Currently bills worth Kshs. Has been paid.</p> <p>Based on the advice, the National Treasury had to look for funding to honour the payment hence the delay in settling the whole amount.</p> <p>The National Treasury endeavours to ensure that there is sound contract management to avoid such matters in the future.</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>Audit Report on the Financial Statements 2022-2023</p>	<p>9.Non-Compliance with the One Third of Basic salary Rule</p>	<p>It is true that One hundred and fifty five (155) employees earned a net salary of less than one third of their basic salary. The IPPD system is configured to recover statutory deductions such as PAYE, NHIF, NSFF, WCPS and any other government liability in full which are a priority before the any other personal commitments.</p> <p>The non-compliance with the one third of basic salary rule was occasioned by the following factors;</p> <p>a) when an officer has an outstanding departmental deduction such as outstanding imprests, overpayment recoveries, outstanding GOK rent arrears, agreement court order or arbitration, it is recovered without consideration of the one-third</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Audit Report on the Financial Statements 2022-2023</p>		<p>rule hence other deductions are deferred;</p> <p>b) Some of the officers who are placed on interdiction and are placed on half pay will automatically be affected by the one-third rule until their disciplinary process is finalised;</p> <p>c) Officers seconded to other institutions with higher credit worthiness will have their loan differed upon return to the previous salary with lower credit worthiness in the civil service; and</p> <p>d) Some officers are transferred from hardship/ major municipality where their credit worthiness is high lead to lower credit worthiness when transferred to non-hardship/ other towns.</p> <p>The management will take the following measures to address the issue;</p>	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>FY 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
<p>Audit Report on the Financial Statements 2022-2023</p>		<ol style="list-style-type: none"> 1. Issue letters of Pecuniary embarrassment to all the affected officers to respond or they be dismissed from service on account of pecuniary embarrassment as stipulated in section J.9(1) of the Human Resource Policies and Procedures manual; 2. Address letters to the affected financial institutions not to allow over commitment by officers below the one third rule; and 3. Extension of repayment period of the departmental deductions to accommodate the officer's net salary within the rule. 	<p>Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly</p>	<p>F/Y 2024/2025</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Audit Report on the Financial Statements 2022-2023	<p>10. Lack of Fixed Assets Register</p> <p>11. Failure to Dispose obsolete Inventory</p>	<p>The management has been undertaking stocktaking during the year and have submitted the report for audit review. In addition, the Ministry is in the process of disposing the obsolete items as per the Public Procurement and Asset Disposal Act, 2015. A disposal committee has been appointed on the same.</p>	Responses prepared and awaiting to appear before Public Accounts Committee of the National Assembly	F/Y 2024/2025


George K. Gichuru

Head of Accounting Unit
ICPAK M/No. 9262


Dr. Chais Kiptoo, CBS
Principal Secretary

16. ANNEXES

Annex 1 - Analysis of Pending Accounts Payable

Supplier of Goods or Services	Date invoiced/contracted	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance	Comments
				a	b	c	d=a+b-c	
Supply of services				26,478,682,631	4,568,749,767	8,402,082,497	22,645,349,902	Lack of Exchequer and budgetary allocation

Annex 1

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Annex 2 - Analysis of Pending Staff Payables

Name of Staff	Job Group	Date Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Senior Management						Nil	
Middle Management						Nil	
Union Employees						Nil	
Others (<i>specify</i>)						Nil	
Grand Total							

N/B: There were no Pending Staff Payables

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Annex 3 - Analysis of Other Pending Payables

Name	Brief Transaction Description	Date Payable Contracted	Original amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Amounts due to National Govt Entities						Nil	
Amounts due to County Govt Entities						Nil	
Amounts due to Third Parties						Nil	
Others (<i>specify</i>)							

N/B: There were no Other Pending Payables

Annex 4 – Summary of Fixed Asset Register.

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2023-2024
Buildings and structures	1,028,712,071	15,000,000			1,043,712,071
Refurbishment of buildings	511,328,175	130,883,513			642,211,688
Transport equipment	159,762,550	63,493,920			223,256,470
Office equipment, furniture and fittings	420,413,005	87,956,127			508,369,132
Overhaul construction and civil work	317,124,652	40,000,000			357,124,652
Household furniture and institutional equipment	627,500				627,500
Purchase of specialised plant, machinery and equipment	2,740,370,395	431,132,915			3,171,503,310
Research studies, project preparation design	1,496,253,525	5,341,376,167			6,837,629,692
Purchase of motor vehicles	366,360,288				366,360,288
Purchase of office furniture and general equipment	67,550,623				67,550,623
Sub Total	7,108,502,784	537,963,430			7,646,466,214
Financial Assets					
Domestic equity participation	20,463,247,666	57,000,000			20,520,247,666
Foreign equity participation	14,665,010,664	1,319,900,900			15,984,911,564
Domestic lending and on lending	33,090,542,610				33,090,542,610
Sub Total	68,218,800,940	6,309,956,118			74,528,757,058
Total	75,327,303,724	7,486,743,542			82,814,047,266



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Annex 5 – List of Projects implemented by The National Treasury

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	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
6	Infrastructure FPP Project	To increase Private Investments in the Kenya Infrastructure market	Principal Secretary	Prepared their Accounts
7	Study & Capacity Building	To strengthen health professionals existing clinical expertise	Principal Secretary	Prepared their Accounts
8	Financing Locally led Climate Action Programme	To finance locally led climate action program	Principal Secretary	Prepared their Accounts
9	Green Climate Fund Readiness Programme	Provides grants and technical assistance to National Designated Authorities	Principal Secretary	Prepared their Accounts
10	EA Regional Trade & Transport	To improve the movement of goods and people between Kenya and South Sudan, in general	Principal Secretary	Prepared their Accounts

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
	Facilitation Programme			
11	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
12	Public Debt Management Support Project	To finance technical assistance and capacity building activities to address capacity and knowledge	Principal Secretary	Prepared their Accounts
13	Kenya Affordable Housing Project	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
14	Single Widow Support Project	A vision enabling solution	Principal Secretary	Prepared their Accounts
15	Regional Integration Implementation Programme	To enhance Uganda's capacity to integrate and harness regional economic opportunities presented by COMESA	Principal Secretary	Prepared their Accounts
16	Kenya Mortgage and Finance Company	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
17	Supporting access to finance and enterprise recovery(SAFER)	To strengthen the Legal Regulatory & Institution Environment for improved financial stability, access to and provision of affordable and long-term financing	Principal Secretary	Prepared their Accounts
19	Rural Kenya Financial inclusion facility	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts
20	National Treasury capacity Strengthening Project	To provide a wide array of financial products and technical assistance	Principal Secretary	Prepared their Accounts

Annex 6 – List of SCs, Sagas and Public Funds Under The National Treasury

Ref	SC, SAGA or Public Fund's name	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Kenya Revenue Authority	29,978,955,509	YES
2	Competition Authority of Kenya	404,100,000	YES
3	Public Procurement Oversight Authority	372,671,000	YES
4	Kenya Institute of Supplies Management	91,000,000	YES
5	Kenya Trade Network Agency	922,650,000	YES
6	Public Privatization Commission	847,000,000	YES
7	Public Sector Accounting Standard Board	650,900,000	YES
8	Registration of Certified Public Secretaries Board	43,800,000	YES
9	KASNEB	100,000,000	YES
10	Public Procurement Review Administrative Board	25,000,000	YES
11	Nairobi Financial Centre	90,360,000	YES

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12	Institute of Certified Investment and Financial Analysis	30,000,000	YES
13	Competition Tribunal	26,000,000	YES
14	State Corporations Appeal Tribunal	27,464,836	YES
15	Kenya Institute of Supplies Examination Board	48,125,000	YES
16	Privatization Authority	847,000,000	YES
17	Financial reporting centre	820,006,236	YES
18	Public Procurement Regulatory Authority	552,671,000	YES
19	Public Service Super Annuation Scheme	12,500,000	YES
20	Equalization Fund	1,030,000,000	YES
21	Kenya National Entrepreneurs Saving Trust	181,652,800	YES

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Annex 7 – Contingent Liabilities Register

	Nature of contingent liability	Remarks
1	Nil	Nil

There were no contingent liability

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Annex 8: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarterly Expenditure				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Nil	Nil	Nil							

There was no expenditure relating to Climate Category.

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Annex 9: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
			Floods Mitigation and Response		1,250,000,000	

Note we issued A.I.Es totalling 1.25 billion for floods mitigation and response to:

State Department for Internal Security	400,000,000.00
National Disaster Operation Centre (NDOC)	100,000,000.00
Director General, NYS	100,000,000.00
State Department for Roads	500,000,000.00
State Department for Public Works	50,000,000.00
State Department for Public Health	<u>100,000,000.00</u>
TOTAL	<u>1,250,000,000.00</u>

Annex 10- Reports Generated from IFMIS

IFMIS financial reports to be presented on request.

- i. GOK IFMIS Comparison Trial Balance
- ii. GOK IFMIS Receipts and Payments accounts
- iii. GOK IFMIS Statements of Financial Position
- iv. GOK IFMIS Statements of Cash Flows
- v. GOK IFMIS Notes to the Financial Statements
- vi. GOK IFMIS Statements of Budget Execution
- vii. GOK IFMIS Budget Execution by Programme
- viii. GOK IFMIS Budget Execution by Heads and Programmes
- ix. GOK IFMIS Budget Execution by Programmes and Sub- Programmes