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REPORT

OF

THE AUDITOR-GENERAL

ON

ASIAN OFFICERS FAMILY PENSIONS FUND

**FOR THE YEAR ENDED
30 JUNE, 2024**

THE NATIONAL TREASURY

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 DEC 2024

DAY.

TABLED
BY:

Deputy Majority
Whip.

CLERK AT
THE TABLE:

WILLIS OBIERO



PENSION FUND NAME: ASIAN OFFICERS FAMILY PENSIONS FUND

THE NATIONAL TREASURY AND ECONOMIC PLANNING

FUND IDENTIFICATION NUMBER: 901

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2024

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

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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. THE 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:

- (a) Accounting;
- (b) Finance;
- (c) Human Resource Management and Development;
- (d) Central Planning and Project Monitoring;
- (e) Supply Chain Management;

- (f) Legal;
- (g) Public Communications;
- (h) General Administration;
- (i) Internal Audit; and
- (j) 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
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(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 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 & Economic Planning
Asian Officers Family Pension Fund
Annual Report and Financial Statements for the year ended 30 June 2024

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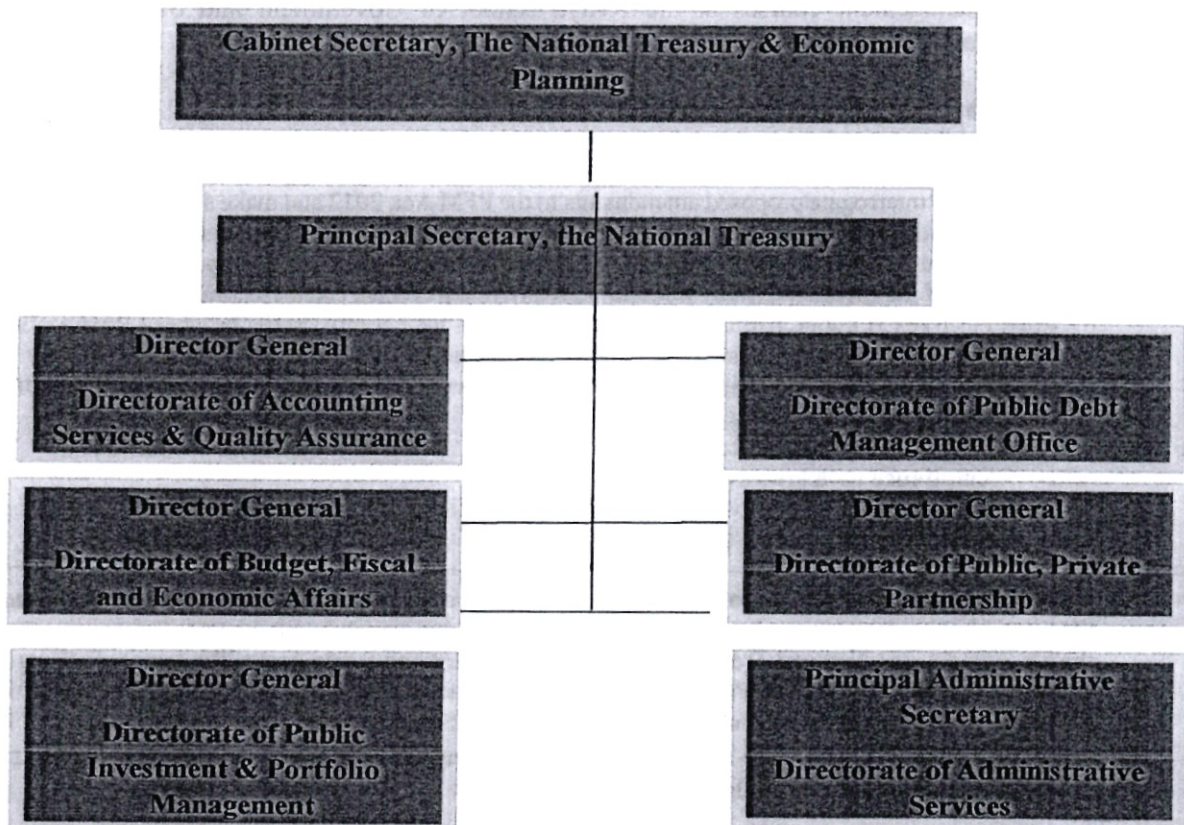
3. STATEMENT OF GOVERNANCE

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 Directors General 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 responses 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 aligning the debt anchor to 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.

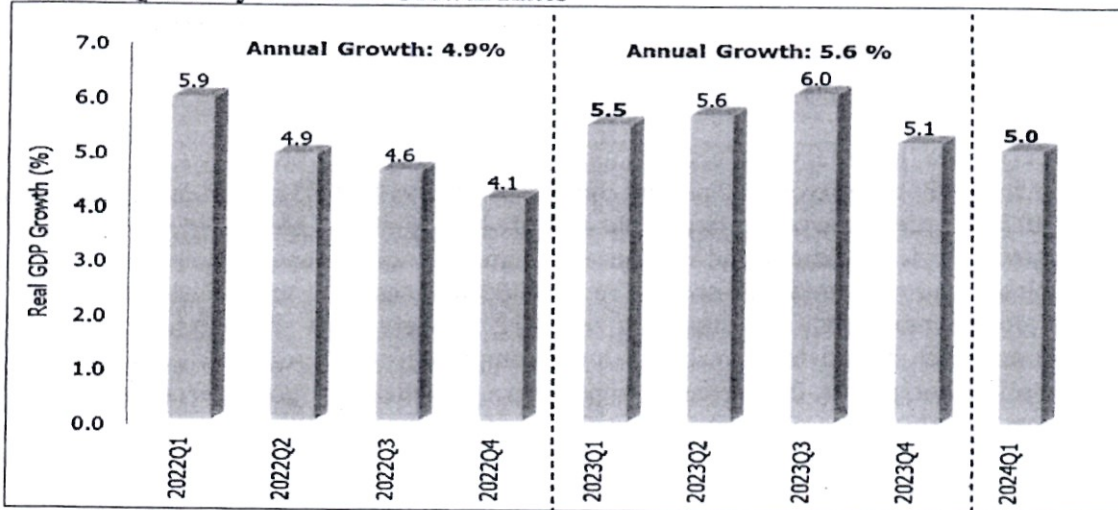
The FY 2023/24 marked the second year following the transition from the previous administration to the current one. The FY 2023/24 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures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

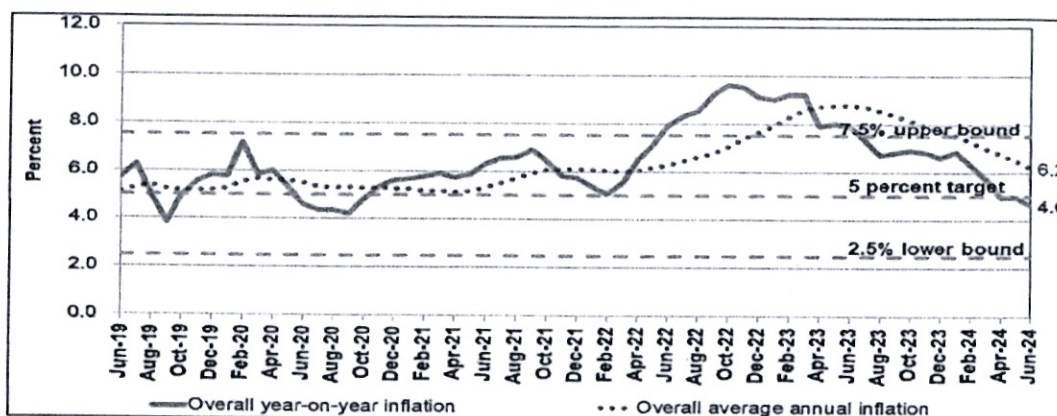
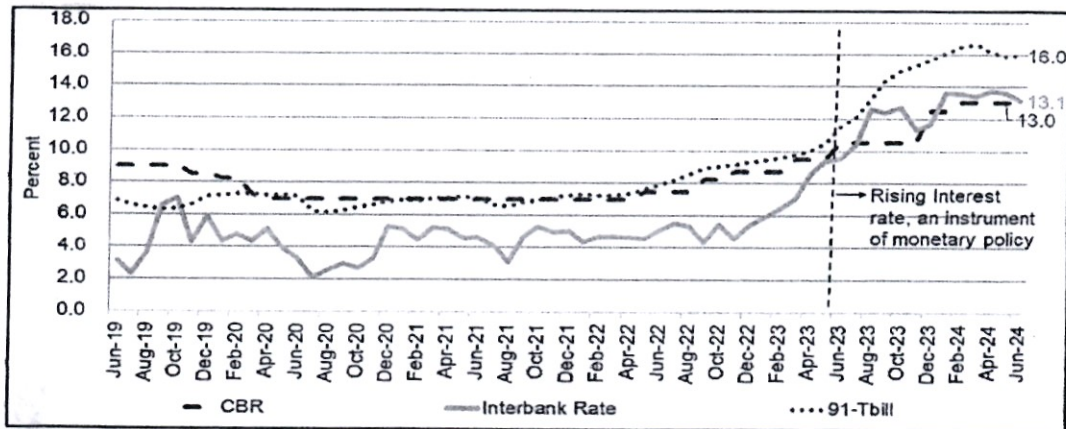


Chart 3: Short-Term Interest Rates



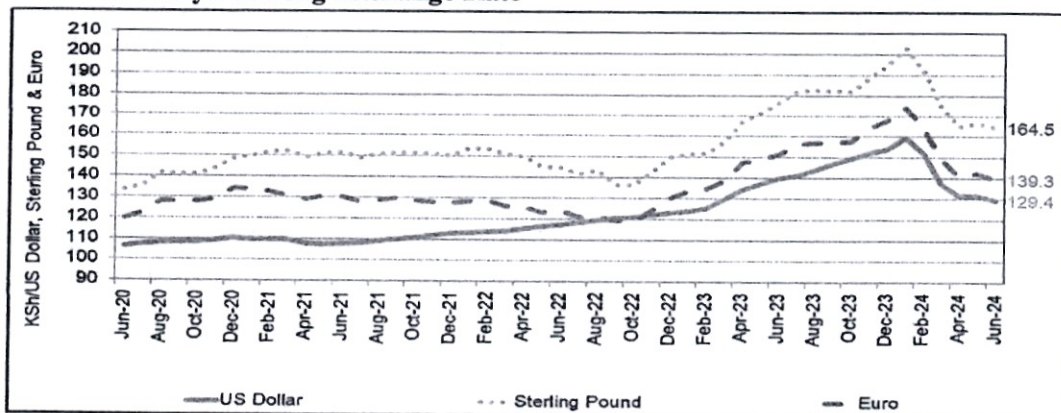
Source of Data: Central Bank of Kenya

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.

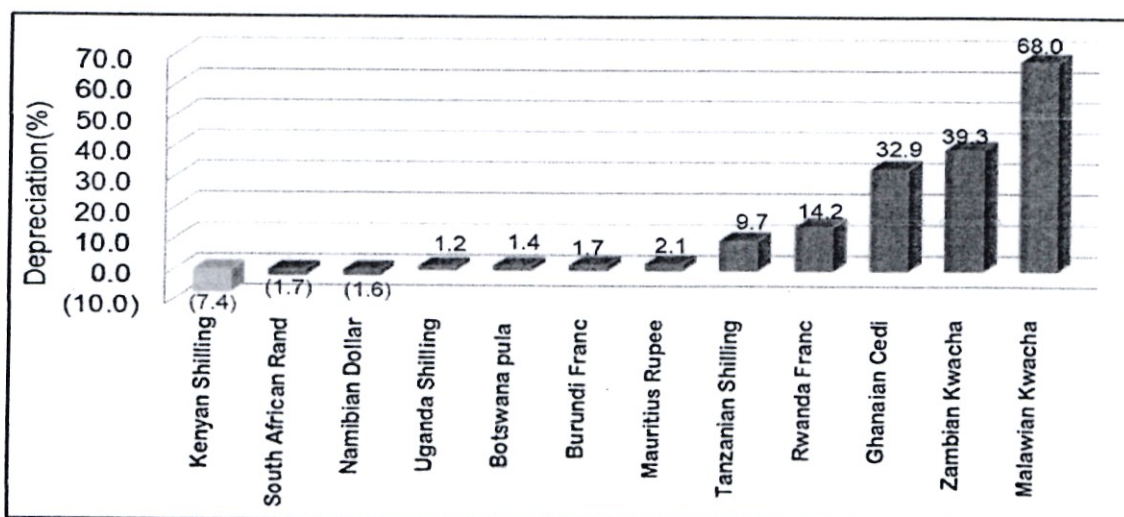
Chart 4a: Kenya Shilling Exchange Rate



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.

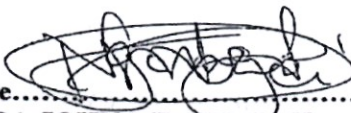
Bottom-Up Economic Transformation Agenda (BETA)

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.....
HON. CPA JOHN MBADI, EGH
CABINET SECRETARY
THE NATIONAL TREASURY AND ECONOMIC PLANNING

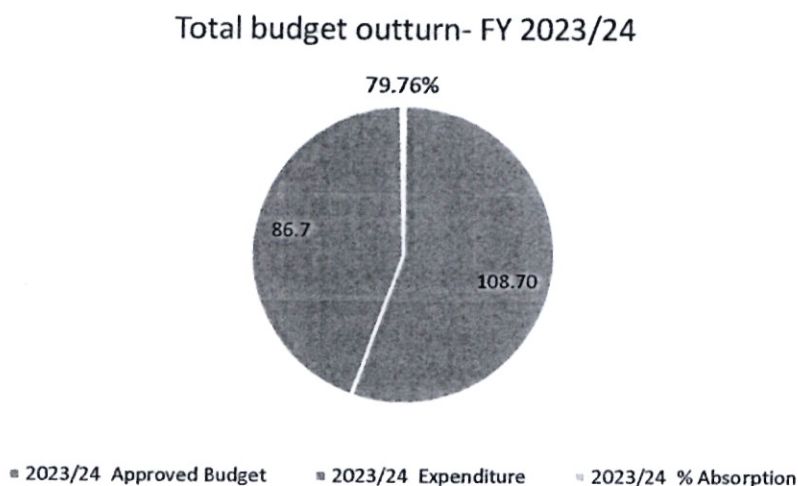
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5. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

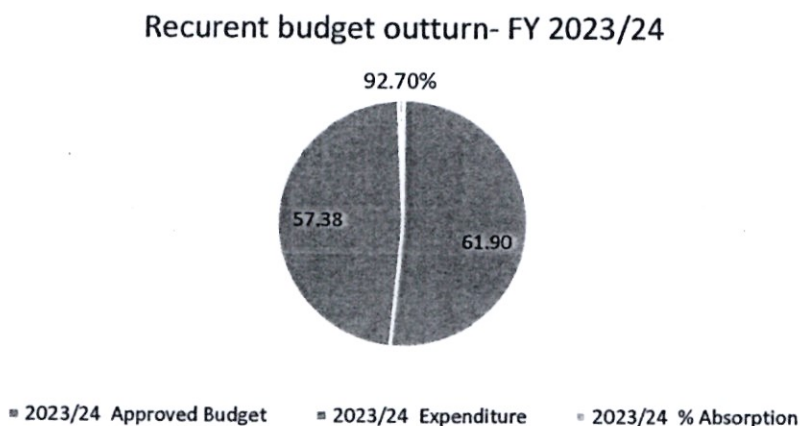
The National Treasury expenditure for the FY 2023/24 stood at KSh.86.7 billion against an approved budget of KSh.108.7 billion translating to an overall absorption rate of 79.76 percent as demonstrated in the pie chart below. This translates to an improvement of 10.33 percent from 69.43 63% recorded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



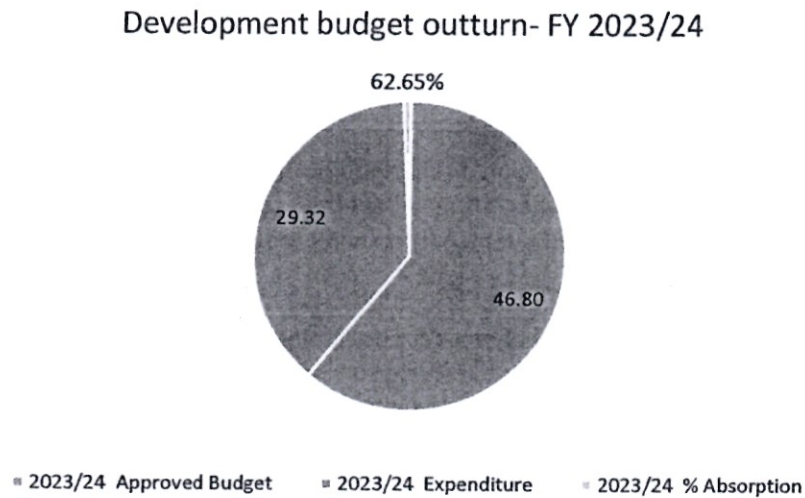
When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure stood at KSh.57.38 billion in the FY 2023/24 against an allocation of KSh. 61.90 billion translating to 92.70 % absorption rate as shown in Chart 3 below. This was an improvement from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



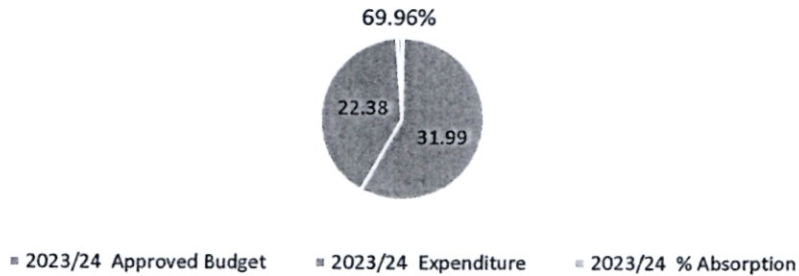
Budget execution for externally funded resources for FY 2023/2024

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 - Externally Funded Resources FY 2023/24

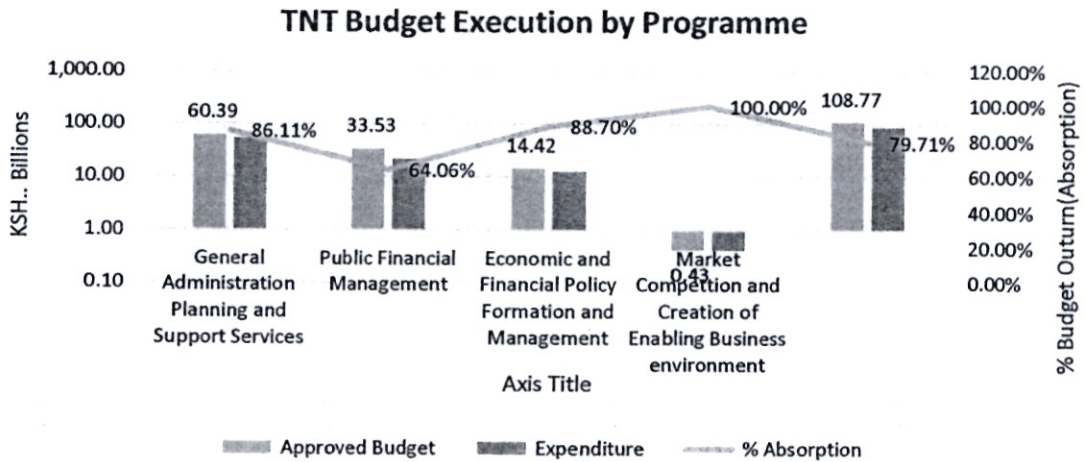


Budget Execution by Programme

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;

- 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 entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. The key development objectives of the National Treasury's 2018-2022 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 tracking progress and performance measurement. Below is the progress implementation of the stated objectives: -

Table 1:

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 1 Administration Services	Administration	Security Vehicles Leased	Security Vehicles leased	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
	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 and 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
			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. 4 ICT Services	Information, Communication and Technology Unit	National Assets and Liabilities System developed	% level of development of the National Assets and Liabilities Management System	50	50	0	The target was to develop the asset management Module which has been finalized. The Liabilities Management Module is scheduled for the FY 2024/25
Programme 2: Public Financial Management	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,

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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
								additional external financing was warranted
				External mobilized resources disbursed as a % of resources budgeted	100	77	-23	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
				No. of benchmark bonds issued	7	6	-1	3 new benchmark bonds issued and 3 early issued were re-opened to new investors.
			Annual Borrowing Plan	No of Annual Borrowing Plans	1	1	0	Target achieved
		Debt recording and settlement Department	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
			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
		PPP Unit	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 2024 and construction began in June 2024.

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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
								The shortfall against the target was occasioned by financial close of three (3) projects with a combined value of KSh. 147 billion which had been projected to achieve financial close during the period under review. The 3 projects are Lot 32 of the Road Annuity Programme which was terminated by the contracting Authority, 35MW Orpower 22 Geothermal Power Plant and Equipment, Operation and Maintenance of Port Assets in Lamu and Mombasa.
		Global Fund	Adults and children provided with Anti-Retroviral Therapy	Number of Adults and Children Receiving ART	1.2	1.2	0	Target achieved
			ACT Treatment	No. of People receiving ACT (Millions)	6	6	0	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
	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

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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
			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
			Finance Bill	Finance Bill	1	1	0	Target Achieved
	SP 3. Audit Services	Internal Audit Department	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
	SP Accounting Services	4. Accounting Services Department	Consolidated Financial Statements	No. of Consolidated Financial Statements	1	1	0	Target achieved
			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
		National Sub-County Treasuries	Site inspection of National Sub-County Treasuries undertaken	No. of inspection reports	80	28	-52	Target not achieved due lack of funding
		IFMIS Department	PFM users trained on IFMIS in financial reporting	No. of PFM users trained	2,000	2,100	100	Target surpassed
		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

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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
		Public Sector Accounting Standards Board	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
			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 on Global Internal Audit sensitized	No. of Auditors sensitized	200	580	380	Target on track
			Financial Reporting Templates for County Government on Accrual Accounting developed	No. of Templates Developed	9	9	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
			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 standards	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 Internal Control guidelines developed	No. of Guidelines developed	1	1	0	Target Achieved.
	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	Market Price Index survey conducted	No. of MPI survey reports published	4	0	-4	Target not achieved due to budget constraints

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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks	
		Regulatory Authority (PPRA)	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	
			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	1	1	0	Target achieved
					Develop Implementing Agencies Work Plans	1	1	0	Target achieved
					Cumulative % of PFM reforms implemented (102 reform 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
	SP. 7 Government Investment and Assets	Government Investment and Public Enterprises	Budget for State Corporations Reviewed	% of State Corporations Budgets reviewed	100	100	0	All relevant budgets for SC reviewed	
				3 years report on Assessment of Investment in State corporation & Government-linked Corporations	No of assessment Report	1	1	0	Target Achieved. Report prepared and sent to Parliament as required

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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
		Unclaimed Financial Assets Authority	Unclaimed financial assets reunified with the rightful owners	Cash assets Remitted in K.Sh. (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: • 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

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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		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
Programme 3: Economic and Financial Policy Formulation and Management	SP 3.1.1 Fiscal Policy Formulation, Development and Management	Macro and Fiscal Affairs	Stable Average annual inflation rates maintained	Inflation rate (%)	5 +/-2.5	0.046	0.7	Target within policy range.
			Strong Official foreign reserves	Months of import cover	5.5	4	-1.5	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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PROGRAMME	SUB-PROGRAMME	Delivery Unit	Key Output	Key Performance Indicator	Annual Target	Actual as at 30th June 2024	Variance	Remarks
		Financial and Sectoral Affairs	Climate Change Fund (CCF) established in counties	No. of counties with CCF	2	1	-1	Apart from Nairobi County, CCF has been established in all the 46 Counties.
	SP3.2 Debt Management	Debt Policy, Strategy and Risk Management Department	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.
		Financial and Sectoral Affairs	Capital injected into Credit Guarantee Scheme (CGS)	Value in KShs. (Billions)	5	3	-2	The 3 billion allocated is still pending awaiting the corporation of the CGS as a company. Documents for establishment of the CGC are with the Cabinet.
Programme 4: Market Competition and Creation of Enabling Business Environment	SP 4.1 Elimination of Restrictive Trade Practices	Competition Authority of Kenya	Consumer complaints on Competition investigated	% of consumer complaints on competition investigated	100	57	-43	Target not achieved due to complexity of the cases and budget cuts
			Merger and acquisitions applications determined	% applications/ cases determined/ concluded	100	93	-7	Target not achieved due to 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

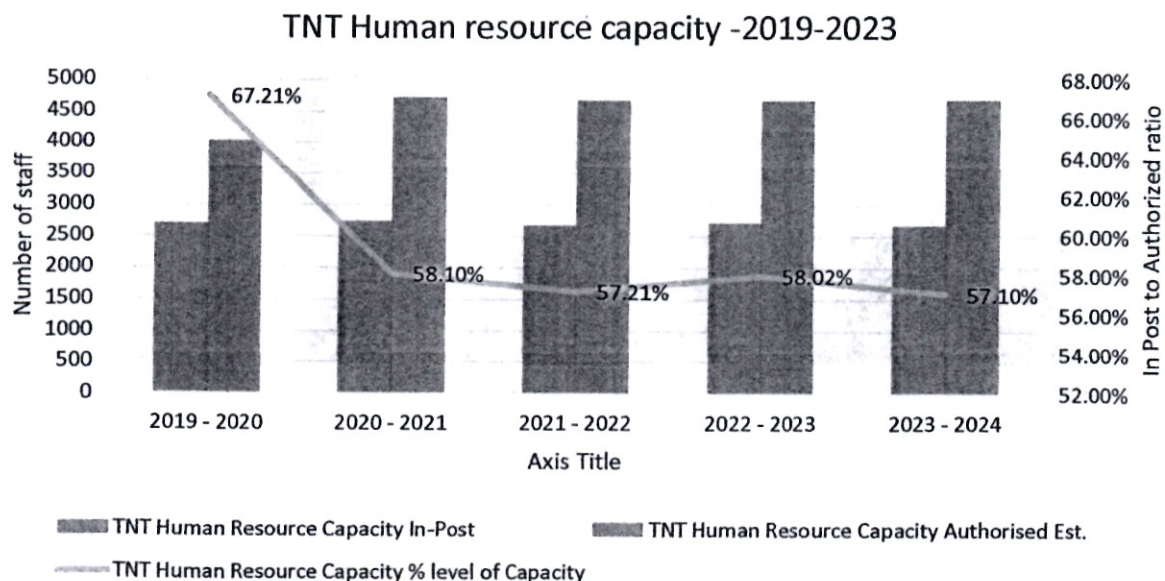
Table 3: Summary of performance of the National Treasury and Economic Planning in ranking of Ministries Departments and Agencies over five Financial Years

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

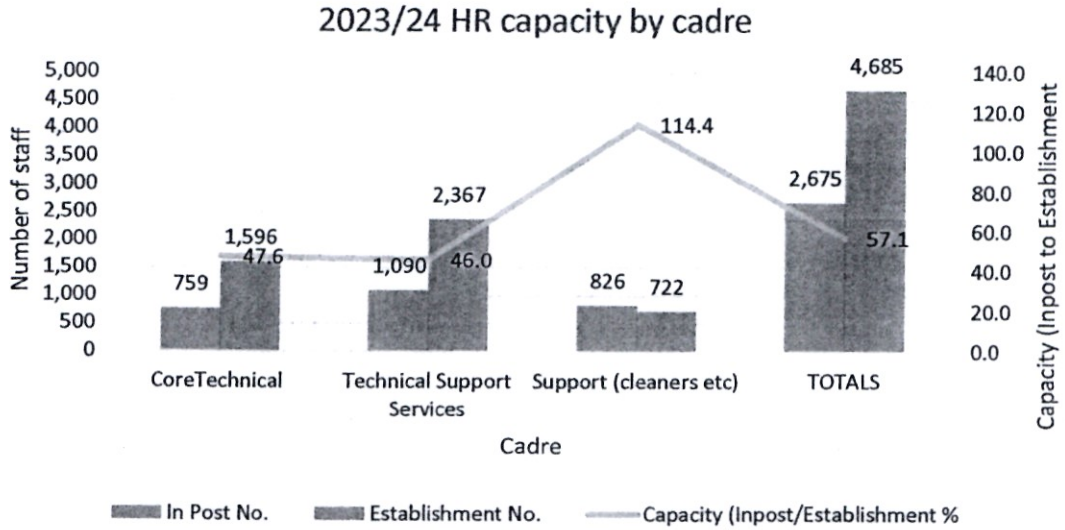
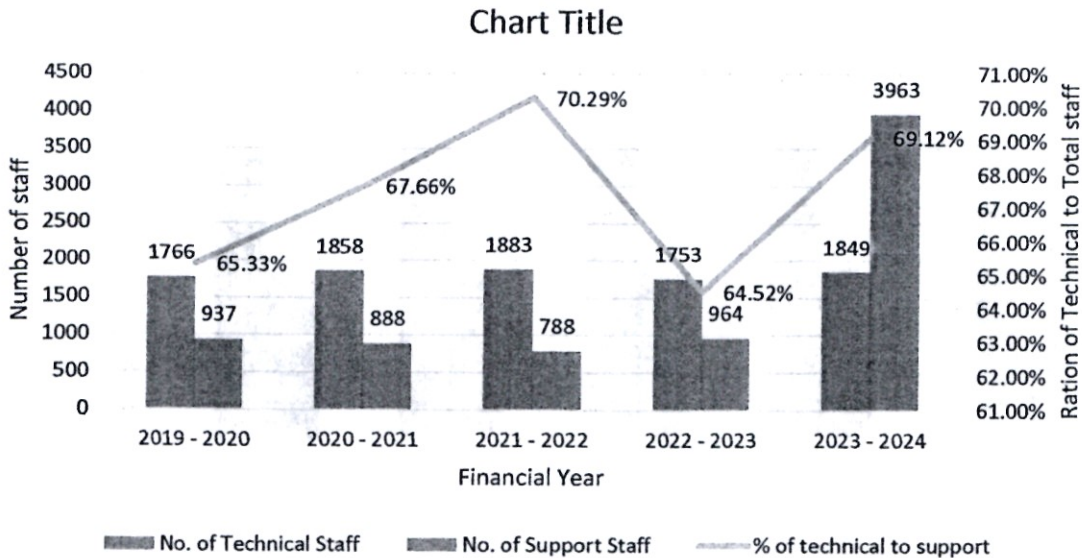


Chart 9: The National Treasury staff composition (technical staff to total staff ratio for the period 2019/20-2023/24



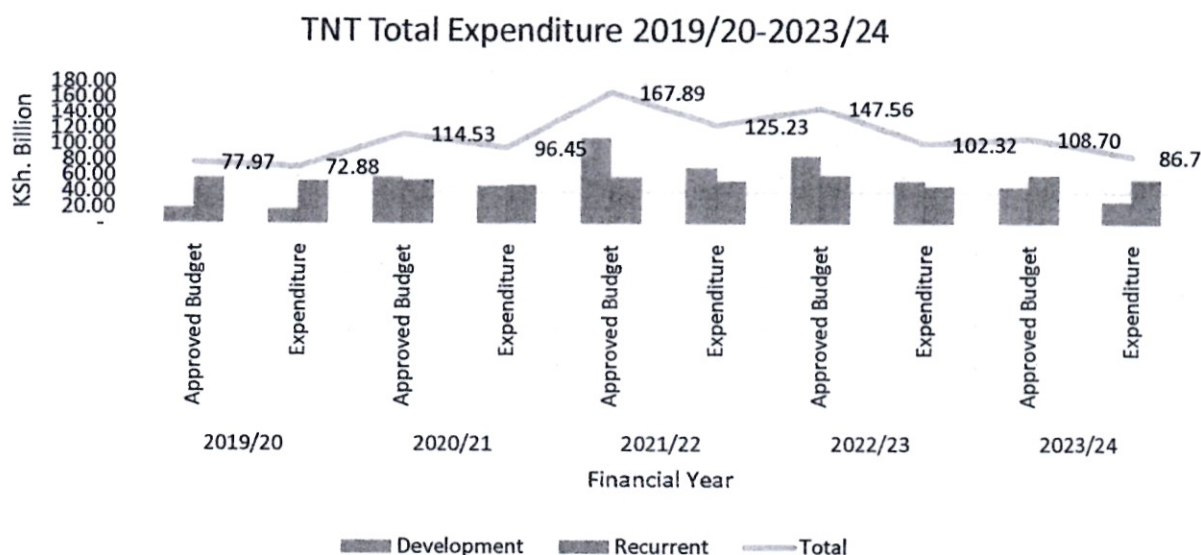
7.1.2 Financial Performance

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.

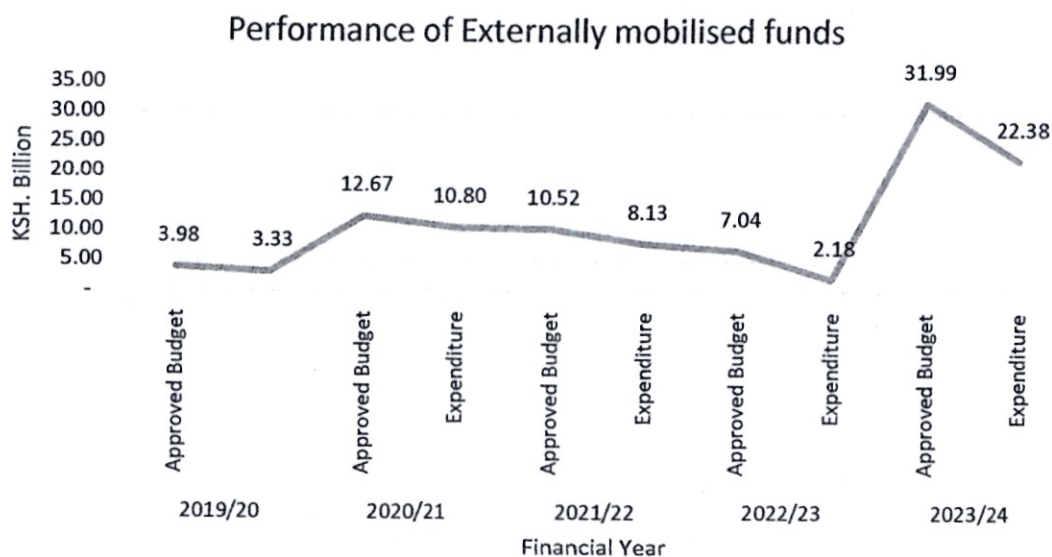
Chart 10: The National Treasury total budget against expenditure for 2019/20- 2023/24 (KSh. Billions)



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.

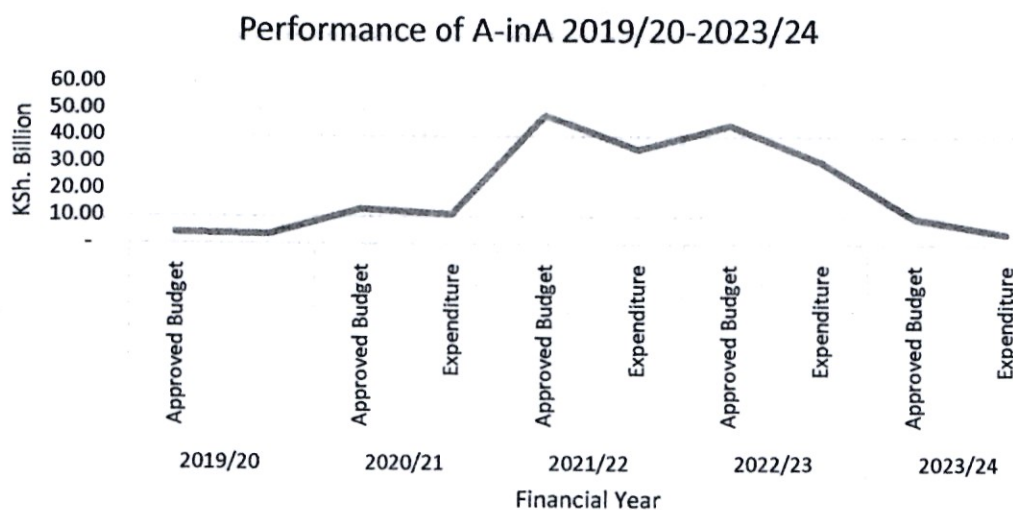
Chart 11: the performance of externally funded resources for the period 2018/19-2022/23 (KSh. Billions)



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 PENSIONS FUND MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Asian Officers Family Pension Act Cap. 194(1942) require the Principal Secretary, National Treasury to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Principal Secretary is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Principal Secretary is also responsible for safeguarding the assets of the Fund.


The Principal Secretary for the National Treasury is responsible for the preparation and presentation of the Asian Officers family Pension Fund financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Pension's Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the National Treasury accept responsibility for the Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (Accrual basis) and in the manner required by the PFM Act, 2012 and the Asian Officers family Pension Act. Cap. 194 The Principal Secretary is of the opinion that the Fund financial statements give a true and fair view of the state of Fund transactions during the financial year ended June 30, 2024, and of the Fund's financial position as at that date. The Principal Secretary further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

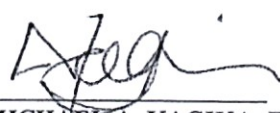
Nothing has come to the attention of the Principal Secretary, National Treasury to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

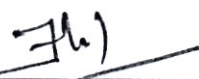
The Asian Officers family Pension Fund financial statements were approved by the Principal Secretary on 9/10, 2024 and signed by.



DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY



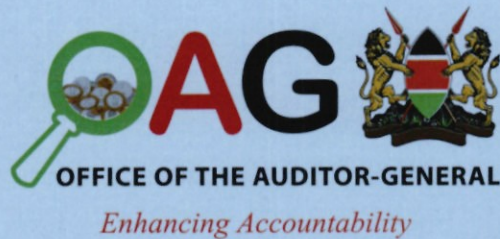
MICHAEL A. KAGIKA, EBS
SECRETARY/DIRECTOR
OF PENSIONS



FRANCIS L. AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ASIAN OFFICERS FAMILY PENSIONS FUND FOR THE YEAR ENDED 30 JUNE, 2024 – THE NATIONAL TREASURY

PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on the Lawfulness and Effectiveness in the Use of Public Resources, and the Report on the 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

Opinion

I have audited the accompanying financial statements of Asian Officers Family Pensions Fund set out on pages 1 to 22 which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

Report of the Auditor-General on Asian Officers Family Pension Fund for the year ended 30 June, 2024 – The National Treasury

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Asian Officers Family Pensions Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with Asian Officers' Family Pension Act. Cap 194 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts and expenditure budget on a comparable basis of Kshs.5,998 and Kshs.1,093,196 respectively resulting in a budget shortfall of Kshs.1,087,198. However, the Fund spent an amount of Kshs.969,432 against the actual receipts of Kshs.5,998 resulting in an over-utilization of Kshs.963,434 or 16,063% of the actual receipts.

In the circumstances, the budget shortfall and over-utilization are indications of spending on accumulated surpluses of the Fund and may impact negatively on future sustainability of the Fund.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

Conclusion

Those charged with governance are responsible for the other information set out on pages iii to liii, which comprise of The National Treasury Information and Management, Statement of Governance, Statement by the Cabinet Secretary, Statement by the

Principal Secretary, Statement of Performance against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Pensions Fund Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Fund'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 THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Fund Operating without a Board of Trustees

Review of records provided revealed that the Fund has been operating over the years without a Board of Trustees. As a result, the financial accumulated funds have not been invested. This was contrary to Section 3 (1) of the Asian Officers' Family Pensions Act, Chapter 194 (Revised 2012) which states that there is hereby established a Board to be known as the Asian Officers' Family Pensions Board and Section 5 (4) of the same Act which stipulates moneys belonging to the Fund, so far as practicable, be invested on behalf of the Fund in such securities or employed at interest in such manner as may be approved by the Board.

In the circumstances, non-establishment of Board of Trustees is a breach of the law.

The audit was conducted in accordance with ISSAIs 3000 and 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 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 (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 November, 2024

11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2023/2024 Kshs.	2022/2023 Kshs.
Revenues			
Dividend Income:			
Preference shares	5	5,998	5,998
Ordinary shares	-	-	-
Other receipts	6	-	76,919
Total revenues		5,998	82,917
Expenses			
Payment of pensions	7	969,432	1,021,196
Total Expenses		969,432	1,021,196
Surplus/(deficit) for the year		<u>(963,434)</u>	<u>(938,279)</u>

The Accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 9/10, 2024 and signed by:



**DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY**



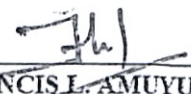
**FRANCIS LAMUYUNZU
 ICPAK NO. 6175
 SENIOR DEPUTY ACCT. GENERAL**

12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	2023/2024	2022/2023	2022/2023
			Restated	
		Kshs.	Kshs.	Kshs.
Current Assets				
Cash and Cash Equivalent	10	450,677,333	451,640,767	451,640,767
Receivables	-	-	-	-
Total Current Assets		450,677,333	451,640,767	451,640,767
Non- Current Assets				
Investments	8	26,604,990	26,604,990	26,604,990
Total Non- Current Assets				
Total Assets		477,282,323	478,245,757	478,245,757
Liabilities				
Members contributions	11	3,204,858	3,204,858	37,680,778
Payables	-	-	-	-
Total Liabilities		<u>3,204,858</u>	<u>3,204,858</u>	<u>37,964,424</u>
Total net assets		<u>474,077,465</u>	<u>475,040,899</u>	<u>440,564,979</u>
Net Assets				
Accumulated Surplus	13	351,781,530	352,744,964	318,269,044
Capital Account (Ledger)	12	122,295,935	122,295,935	122,295,935
Total Net Assets		474,077,465	475,040,899	440,564,979
Total Net Assets and Liabilities		<u>474,077,465</u>	<u>475,040,899</u>	<u>440,564,979</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 9/10, 2024 and signed by:


DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY


FRANCIS L. AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

The financial statements have been audited by
 KPMG Chartered Accountants (Public Interest Entity)
 Chartered Accountants and have issued a clean audit opinion for the year ended 30 June 2024

13. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Capital Account	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
As at 1 July, 2022		122,295,935	344,981,163	467,277,098
Surplus/loss		-	(938,279)	(938,279)
Adjustment during the year	8	-	(10,573,840)	(10,573,840)
Adjustment during the year	9	-	(15,200,000)	(15,200,000)
As at 30 June, 2023		122,295,935	318,269,044	440,564,979
Adjustment during the year	13	-	34,475,921	34,475,921
As at 30 June, 2023 (Restated)		122,295,935	352,744,965	475,040,900
As at 1 July, 2023		122,295,935	352,744,965	475,040,900
Surplus/loss		-	(963,434)	(963,434)
As at 30 June, 2024		122,295,935	351,781,531	474,077,466

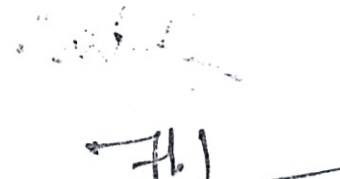
Note:

Being prior year profits and fines included as government contributions now capture under accumulated funds.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 9/10, 2024 and signed by



**DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY**



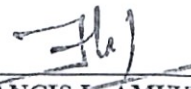
**FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 SENIOR DEPUTY ACCT. GENERAL**

14. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2023/2024 Kshs.	2022/2023 Kshs.
Dividend Income	5	5,998	5,998
Other Revenues	6	-	76,919
Accounts receivable	-	-	-
Total Receipts		5,998	82,917
Payment of Pensions	7	(969,432)	(1,021,196)
Payable	-	-	(283,646)
Sub Total		(963,434)	(1,221,925)
Dividend receivable		-	-
Net Cash flow from operating activities		-	-
Net Cash flow used in investing activities		-	-
Net Cash flow used in financing activities		-	-
Adjustments during the year		-	-
Net increase/(decrease) in cash and cash equivalent		<u>(963,434)</u>	<u>(1,221,925)</u>
Cash and cash equivalent at the beginning of the year		451,640,767	452,862,692
Cash and cash equivalent at the end of the year		<u>450,677,333</u>	<u>451,640,767</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 9/10, 2024 and signed by


DR. CHRIS KIPTOO, CBS
PRINCIPAL SECRETARY


FRANCIS L. AMUYUNZU
ICPAK NO. 6175
SENIOR DEPUTY ACCT. GENERAL

**15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
 THE YEAR ENDED 30 JUNE 2024**

	Original budget	Final budget	Actual on comparable basis	Performance difference	% utilization	Explanation of variance
Revenue	Kshs	Kshs	Kshs	Kshs		
Dividend	5,999	5,999	5,998	-	100%	Kplc did not declare Dividend
Total income	5,999	5,999	5,998	-		
Expenses						
Dependant Pension	1,093,196	1,093,196	969,432	123,764	89%	Some beneficiaries were deceased during the year
Total Expenditure	1,093,196	1,093,196	969,432	123,764		
Surplus (loss) for the period	(1,087,197)	(1,087,197)	(963,434)	-		

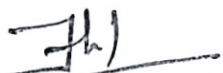
Note

The only expected income is dividend from KPLC and the company declared nil dividend ordinary shares during the period.

Expenditure on the dependant pension was due to the surviving individual dependants.

The financial statements were approved on 9/10, 2024 and signed by


 DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY


 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 SENIOR DEPUTY ACCT. GENERAL

16. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Asian Officers Family Pension Fund is established by and derives its authority and accountability from Asian officer's family Act Cap 194. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is dependant pension.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Asian Officers Family Pension Fund.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget information

The budget for FY 2023-2024 was approved by the Permanent Secretary during the year.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

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

The ability to measure reliably the expenditure during development.

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

i) Financial instruments

- The debtors or entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Inventories

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

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

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

i) Inventories (Continued)

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) *Contingent liabilities*

The Entity 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.

m) *Contingent assets*

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

n) *Nature and purpose of reserves*

The Entity creates and maintains reserves in terms of specific requirements.

o) *Changes in accounting policies and estimates*

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

p) *Employee benefits*

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future

Contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

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

u) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Comparative figures

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

w) Subsequent events

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

4. SIGNIFICANT JUDGMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13.

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

5. DIVIDEND INCOME

Revenues	2023/2024	2022/2023
	Kshs.	Kshs.
Dividend		
Preference shares	5,998	5,998
Ordinary shares	-	-
Total	5,998	5,998

The dividend income relates to dividend on the KPLC ordinary shares, preferences shares 4% and KPLC cumulative preference shares at 7%.

6. OTHER RECEIPTS

These are payroll returns from deceased beneficiaries.

7. PAYMENT OF PENSIONS

Expenses	2023/2024	2022/2023
	Kshs.	Kshs.
Government pensions & retirement Benefits	969,432	1,021,196

8. INVESTMENTS

	2023/2024	2022/2023
	Kshs.	Kshs.
Investment in Shares	26,604,990	37,178,830
Adjustment on overstatement of Shares	-	10,573,840
Total	26,604,990	26,604,990

Investment relates to shares held with KPLC and they are valued at cost.

Ordinary Shares 10,583,460 @ Ksh.2.50,

4% Preference Shares 7,077 @ Kshs.20 and 7% Preference Shares 240 @ Kshs. 20.

Adjustment being error on valuation of investment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RECEIVABLE

	2023/2024 Kshs.	2023/2024 Kshs. Adjustment after write off Authority	2022/2023
Cash owed by Cereals & Sugar Finance Corp. (CSFC)	-	-	15,200,000
Total	-	-	15,200,000

Investment in CSFC of Kshs. 15,200,000 was written off vide MOF/AC/305C VOL.2 (242) of August 28, 2023. (Annex 5). An adjustment to that effect has been made.

10. CASH AND CASH EQUIVALENT

CENTRAL BANK OF KENYA: A/C NO. 1000213752

	2023/2024 Kshs.	2022/2023 Kshs.
Cash (PMG) Annex I	450,677,333	451,640,767

11. GOVERNMENT (MEMBERS) CONTRIBUTION

	2023/2024	2022/2023	2022/2023
		Restated	
	Kshs	Kshs	Kshs
Personal contribution E.A.C	1,449,677	1,449,677	1,449,677
Personal contribution E.A.C	530,610	530,610	530,610
Personal contribution E.A.C Customs	5,006	5,006	5,006
Government Contribution	1,219,565	1,219,565	1,219,565
Fines	-	-	1,082,904
Profits	-	-	33,393,016
Total	3,204,858	3,204,858	37,680,778

NB: Fines and Profits transferred to accumulated funds Note 13 to the financial statements

Included in the figure reported was Kshs 33,393,016.00 being profit/loss on realization of investment and Kshs 1,082,904.00 being fines, adding up to 34,475,820.00 that has now been transferred to surplus account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CAPITAL ACCOUNT

	2023/2024	2022/2023
	Kshs.	Kshs.
Initial member contribution to the pension fund	122,295,935	122,295,935

13. ACCUMULATED SURPLUS

	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Surplus b/f		318,269,044	344,981,163
Adjustment	8	-	(10,573,840)
Adjustment	9	-	(15,200,000)
Adjustment	11	34,475,920	
Profit/(loss)		(963,434)	(938,279)
Net		351,781,530	318,269,044

14. FINANCIAL RISK MANAGEMENT

(i) Credit Risk

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	shs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	-	-	-	None
Bank balances	<u>450,677,333</u>	<u>450,677,333</u>	-	None
Total	<u>450,677,333</u>	<u>450,677,333</u>	-	None
At 30 June 2023				
Receivables from exchange transactions	-	-	-	None
Bank balances	<u>451,640,767</u>	<u>451,640,767</u>	-	None
Total	<u>451,640,767</u>	<u>451,640,767</u>	-	None

The customers under the fully performing category are paying their debts as they continue trading. The entity has significant concentration of credit risk on amounts due from CSCF.

The management sets the fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

16. RELATED PARTY BALANCES

Nature of related party relationships

There were no related parties involved in this entity.

17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a. The entity did not have any contingent liabilities

17. ANNEXES

Annex 1

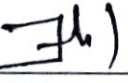
PROGRESS ON FOLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time Frame (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the Financial Statements	Balanced Trial balance and ledger have been provided for Audit review.	Michael A. Kagika, EBS Secretary/Director Pensions	Resolved	
2	Idle Funds Held in Bank	Communication to CBK about the funds in account has been provided for Audit review.	Michael A. Kagika, EBS Secretary/Director Pensions	CBK communication attached	

The financial statements were approved on 9/10, 2024 and signed by


 DR. CHRIS KIPTOO, CBS
 PRINCIPAL SECRETARY


 FRANCIS L. AMUYUNZU
 ICPAK NO. 6175
 SENIOR DEPUTY ACCT. GENERAL

Annex 2: Trial Balance

Sub Head: 4-867 -0901

	2023/2024
Credits	Kshs.
Capital Income	122,295,935
Personal Contributions	1,449,677
Personal Contributions	530,610
Personal Contributions	5,006
Government Contributions	1,219,565
Accumulated surplus	352,744,964
Dividend Income	5,998
Total	478,251,755
Debit	
Pensions Payment (Excluding Pensions Increase)	969,432
Investments	26,604,990
Balance Cash at bank	450,677,333
Total	478,251,755

Annex 3: Bank Reconciliation

REPUBLIC OF KENYA		
		F.O. 30
PENSIONS DEPARTMENT		
ASIAN OFFICERS A/C NO. 1000213752		
BANK RECONCILIATION STATEMENT AS AT 30 JUNE, 2024		
DETAILS	KSHS	KSHS
BANK BALANCE AS PER CERTIFICATE		450,793,684.65
Less 1&2		
1 PAYMENTS IN CASH BOOK NOT IN BANK		
<i>(UNPRESENTED CHEQUES)</i>	170,616	
TOTAL UNCLEARED EFFECTS		
2 RECEIPTS IN BANK NOT IN CASH BOOK		
TOTAL-APENDEX 1 & 2	-	
3 PAYMENT IN BANK NOT IN CASH BOOK		
4 RECEIPTS IN CASH BOOK NOT IN BANK		54,264
TOTAL-APENDEX 1 & 2	-	
BALANCE AS PER THE CASH BOOK		450,677,332.65

"DETAILS OF THE ABOVE ATTACHED"

"I CERTIFY THAT I have verified the bank balance in the cash book with the
Bank statement and that the above Reconciliation is correct"

Signature..... 

Designation **PRINCIPAL/CHIEF ACCOUNTANT**

DATE.....

Annex 4: Certificate of Balances



July 10, 2024

CERTIFICATE OF BALANCES

Customer: 120373 THE NATIONAL TREASURY
 Balance
 Date: 30 Jan 24

Account No	Account Name	Currency	Balance
1000204397	REC-PENSIONS	KES	7,699,159,033.27
1000213744	EUROPEAN WIDOWS AND ORPHANS PENSION	KES	179,348,691.85
1000213752	ASIAN OFFICERS FAMILY PENSION FUND	KES	450,793,684.65
1000213768	PROVIDENT FUND KE AND EA COMMUNITY	KES	1,029,530,737.90
1000209518	NATIONAL TREASURY REVENUE COLL.	KES	0.00
1000482044	PUBLIC SERVICE SUPERANNUATION SCHEM	KES	0.00


 Priscilla Keitany (Mrs)
 Authorised Signatory
 Banking Services Division


 Joyce Nasieku
 Authorised Signatory
 Banking Services Division

HAI - AMUYANZU - PENSION

Please deal

J. 11/8/2024

COPY OFFICE

**PRINCIPAL SECRETARY
 THE NATIONAL TREASURY**
 31 AUG 2023
RECEIVED
 P. O. Box 30007 - 00100, NAIROBI



**REPUBLIC OF KENYA
 THE NATIONAL TREASURY & ECONOMIC PLANNING**

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 Finance Nairobi
 FAX NO 310833
 Telephone 2252259
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THE NATIONAL TREASURY
 P. O. BOX 30007 - 00100
 NAIROBI

Ref: MOF/AC/305C VOL.2(242)

Date: 28th August, 2023

Dr. Chris Kiptoo, CBS
 Principal Secretary
 National Treasury
 P. O. Box 30007 - 00100
NAIROBI

DG PIPM
FYA
PS: 4/9/23
Direct Pension
May 6/23

Dear *PS - NT,*

**REQUEST FOR AUTHORITY TO WRITE OFF LOSS AMOUNTING TO
 KSHS.15,200,000.00**

We refer to 1st Cabinet Meeting-2021 held on 25th February, 2021 that approved the winding up of Dormant Funds and the Repeal of their Enabling Acts attached herein. The Cabinet approved the Winding Up of Dormant Funds Task Force recommendations to write-off short term investments of **Kshs. 15,200,000.00** by the Asian Officers Family Pension Scheme Fund with the defunct Cereals and Sugar Finance Corporation.

This request was made in accordance to Para. 148(8) of the PFM (National Government) Regulations, 2015. This regulation sets out the limits within which the Cabinet can authorize write off.

We have reviewed documents submitted by you, which include a Loss Report, the Winding Up of Dormant Funds recommendations, and the Director Pension and concur that the threshold and procedure required by Section 69 (3) of the PFM Act 2012 has been met.

Authority is hereby granted for the said write off of loss amounting to **Kshs. 15,200,000.00** short term investments in the defunct Cereals and Sugar Finance Corporation.

Yours *Sincerely,*

NJUGUNA NDUNG'U, CBS
CABINET SECRETARY

Copy to: **CPA Nancy Gathungu, CBS**
 The Auditor General
 Office of the Auditor General
 P. O. Box 30084
NAIROBI



Mr. Wanda
Please advise
4/9/2023