

REPUBLIC OF KENYA



## REPORT

OF

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 16 MAR 2023	DAY: Thursday
TABLED BY:	Deputy Majority Leader
CLERK-AT THE TABLE:	Joyce Lemorelle

THE AUDITOR-GENERAL

ON

**COVID-19 EMERGENCY RESPONSE  
FUND**

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

**THE NATIONAL TREASURY**





20 JAN 2023

RECEIVED



---

## **THE NATIONAL TREASURY**

### **Financial Statements for the Covid - 19 Emergency Response Fund**

**For the Financial Year ended 30<sup>th</sup> June 2022**

---

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

The National Treasury  
Financial Statements for the Covid 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

---

<b>Table of contents. ....</b>	<b>Page No.</b>
<b>1. THE NATIONAL TREASURY INFORMATION MANAGEMENT .....</b>	<b>i</b>
<b>2. FORWARD BY THE CABINET SECRETARY .....</b>	<b>i</b>
<b>3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES.....</b>	<b>xviii</b>
<b>4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING.....</b>	<b>xxii</b>
<b>5 OVERVIEW OF THE COVID – 19 EMERGENCY RESPONSE FUND .....</b>	<b>xxiv</b>
5.1 Background of the Fund .....	xxiv
5.2 Administration of the Fund .....	xxiv
5.3 Operations of the Fund during the year.....	xxiv
<b>6. STATEMENT OF MANAGEMENT RESPONSIBILITIES .....</b>	<b>xxv</b>
<b>7. REPORT OF THE INDEPENDENT AUDITORS .....</b>	<b>xxvi</b>
<b>8. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022 .....</b>	<b>1</b>
<b>9. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE 2022 .....</b>	<b>2</b>
<b>10. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022 ....</b>	<b>3</b>
<b>11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022.....</b>	<b>4</b>
<b>12. NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>5</b>
12.1 Significant Accounting Policies.....	5
12.2 Receipts into the Fund .....	6
12.3 Transfer to Exchequer .....	6
12.4 Bank charges .....	6
12.5 Bank balances.....	6
<b>13. PROGRESS ON FOLLOW UP OF AUDITOR’S RECOMMENDATIONS .....</b>	<b>7</b>

## **1. NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

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

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

#### **Vision**

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

#### **Mission**

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

#### **Core Values**

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

#### **Mandate of the National Treasury**

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

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

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

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

### **Role of the National Treasury in the Devolved System of Government**

The National Treasury is mandated by law to:

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

### **(b) Key Management**

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

#### **Office of the Principal Secretary**

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

#### **Organizational structure of the National Treasury**

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

### **Directorate of Budget, Fiscal and Economic Affairs**

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

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

### **Directorate of Accounting Services and Quality Assurance**

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

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

### **Directorate of Portfolio Management**

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

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

### **Directorate of Public Debt Management Office**

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

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

### **Directorate of Public Private Partnership Unit**

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

### **Directorate of Administrative and Support Services (Common Shared Services)**

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury offer critical support services to the National Treasury. The functions include:

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



**(C) Fiduciary Management**

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

S/No.	Designation	Name
1.	<b>Cabinet Secretary</b>	<b>HON.(AMB.) Ukur Yatani, EGH</b>
2.	<b>Principal Secretary</b>	Dr. Julius Muia, PhD, CBS
3.	<b>Director General, Budget Fiscal &amp; Economic Affairs</b>	<b>Mr. Albert Mwenda, HSC</b>
4.	Director, Budget Department	Mr. Francis Anyona, OGW
5.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
6.	Ag. Director, Intergovernmental Fiscal Relations Department	Mrs. Josephine Kanyi
7.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Public Procurement Department	Mr. Eric Korir
9.	<b>Director General, Accounting Services &amp; Quality Assurance</b>	<b>FCPA Bernard Ndung'u, MBS</b>
10.	Ag. Director, Government Accounting Services Department	Mr. Jonah Wala
11.	Ag. Deputy Internal Auditor General	Ms. Jane Micheni
12.	Ag. Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
13.	Director, Integrated Financial Management Information System	Mr. Stanley Kamanguya, OGW
14.	Ag. Director, Government Digital Payments Unit	Mr. Nicholas Wambugu
15.	Head of Exchequer operations	Ms. Jane W N Macharia, OGW
16.	<b>Director General, Public Investments &amp; Portfolio Management</b>	<b>Eng. Stanley Kamau</b>
17.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
18.	Ag. Director, National Assets and Liability Management	Mrs. Veronica Okoth
19.	Director, Pensions Department	Mr. Michel Kagika, EBS
20.	<b>Director General, Public Debt Management Office</b>	<b>Dr. Haron Sirma, OGW</b>
21.	Director, Resource Mobilization Department	Mr. Sora Badu Katelo
22.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
23.	Director, Debt Recording and Settlement Department	Mr. George Kariuki
24.	<b>Director General, Public Private Partnerships (PPP) Directorate</b>	<b>Mr. Christopher Kirigua, OGW</b>
25.	<b>Principal Administrative Secretary</b>	<b>Mr. Amos Gathecha, EBS</b>
26.	Secretary Administration	Mr. Hiram Kahiho
27.	Head, Accounts Division	Mr. Nemwel Motanya
28.	Head, Finance	Mr. Ambrose Ogengo
29.	Head, SCM	Mr. Aggrey Kituyi
30.	Director, Human Resource Management and Development	Ms. Susan Mucheru
31.	Director, Information Communication and Technology	Mrs. Lynn Nyongesa
32.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
33.	Head, Public Communications	Ms. Catherine Njoroge
34.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
35.	Head, Internal Audit Unit	Ms. Esther Ngeru

#### **(d) Fiduciary Oversight Arrangements**

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

##### **Internal Audit Unit**

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

##### **Audit Committees**

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

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

##### **Project Implementation Committee**

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

##### **Parliamentary Activities**

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

##### **Development Partner Oversight**

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

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

### **Top Management Committee and Other Committees**

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of 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 2021/22.

### **Public Financial Management Sector Working Group.**

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

### **Budget Implementation Steering Committee**

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

### **Budget Implementation Technical Committee**

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

### **Monitoring and Evaluation**

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

The National Treasury  
Financial Statements for COVID – 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

---

**The National Treasury Headquarters**

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

**The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [Communication@treasury.go.ke](mailto:Communication@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**The National Treasury Bankers**

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

**Independent Auditors**

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

**Principal Legal Adviser**

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

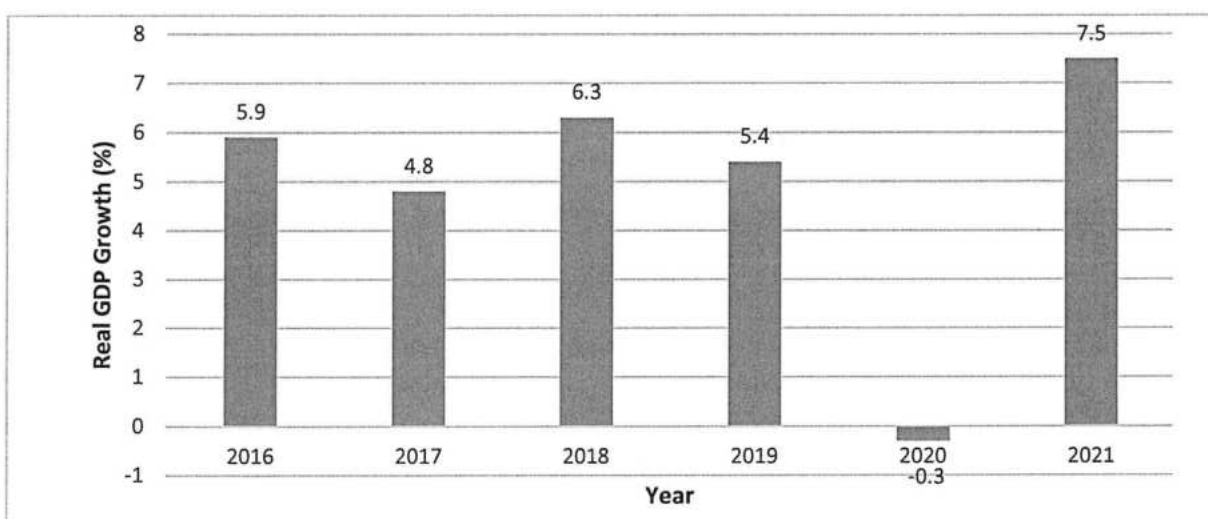


## 2. FORWARD BY THE CABINET SECRETARY

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

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

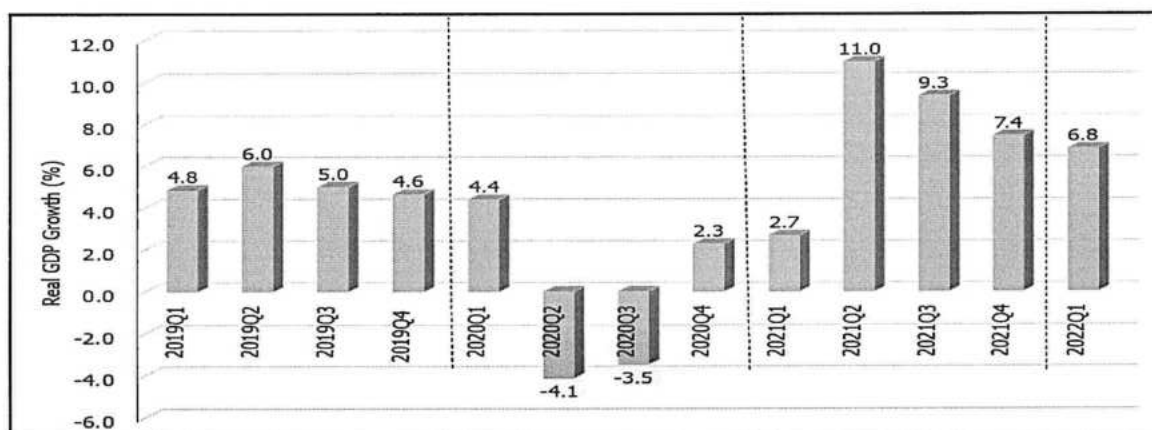
**Chart 1: Annual Real GDP Growth Rates**



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

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

**Chart 2: Quarterly Real GDP Growth Rates**



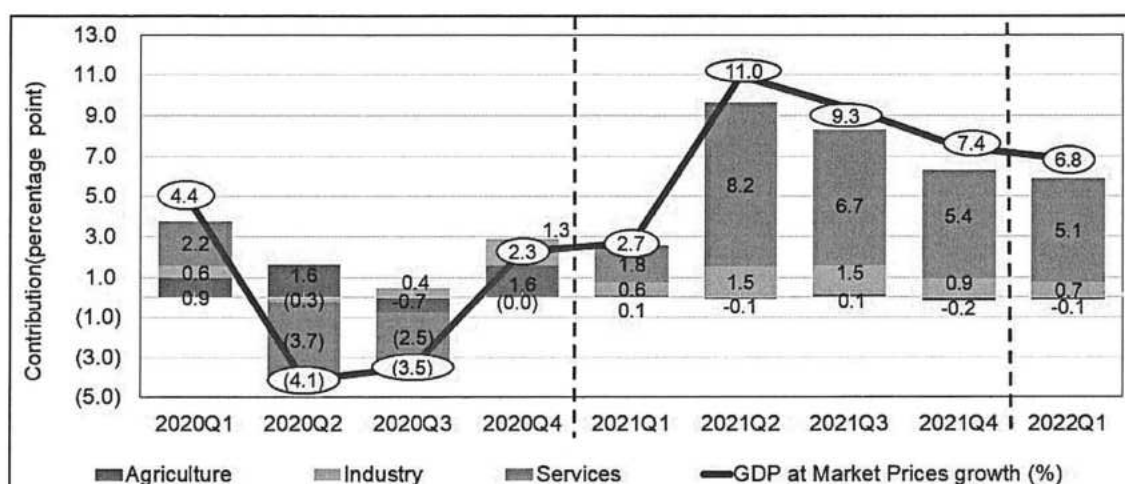
Data Source: National Treasury: *Quarterly Economic and Budgetary Review, September, 2022*

### Sectoral Growth rates

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

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

**Chart 3: Sectoral contributions to Real GDP Growth**



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

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

### Inflation

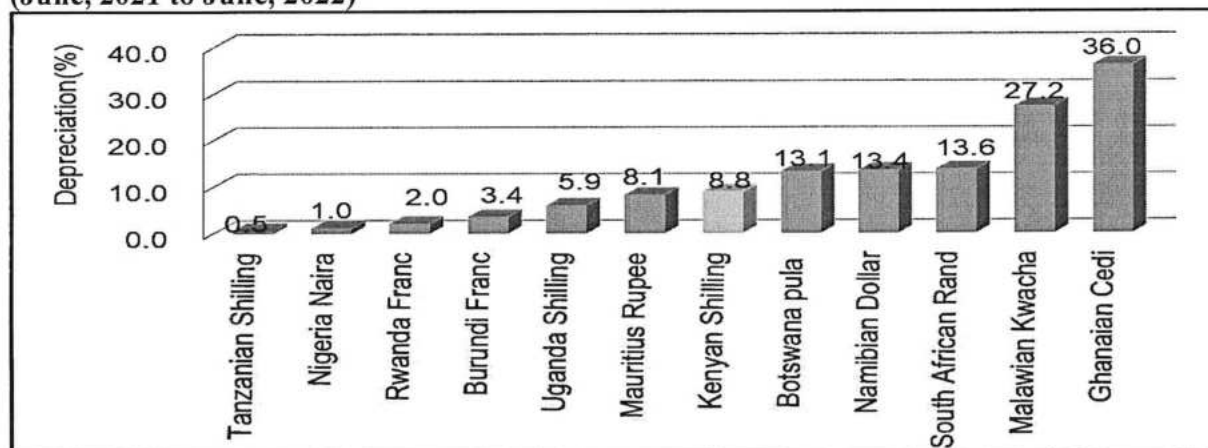
The year-on-year inflation rate increased to 7.9 percent in June 2022 (slightly above the 7.5 percent upper bound) from 6.3 percent in June 2021 mainly due to higher food and fuel prices. Notwithstanding this, the increase was moderated by Government measures to stabilize fuel prices, lower electricity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

### Exchange Rates

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

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

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




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

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

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

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

  
**HON. GABRIEL KUR YATANI, EGH**  
**CABINET SECRETARY**  
**THE NATIONAL TREASURY AND PLANNING**

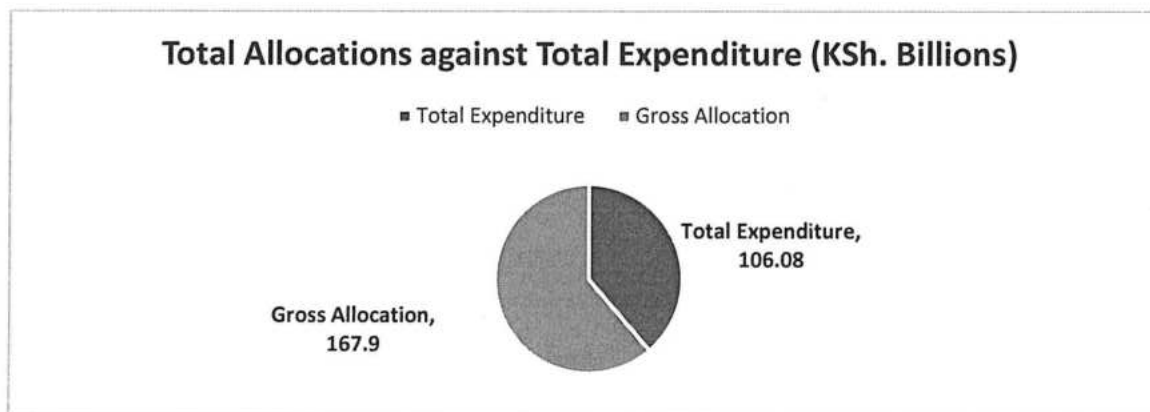


## 2.2. STATEMENT BY THE PRINCIPAL SECRETARY

### Budget performance

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

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



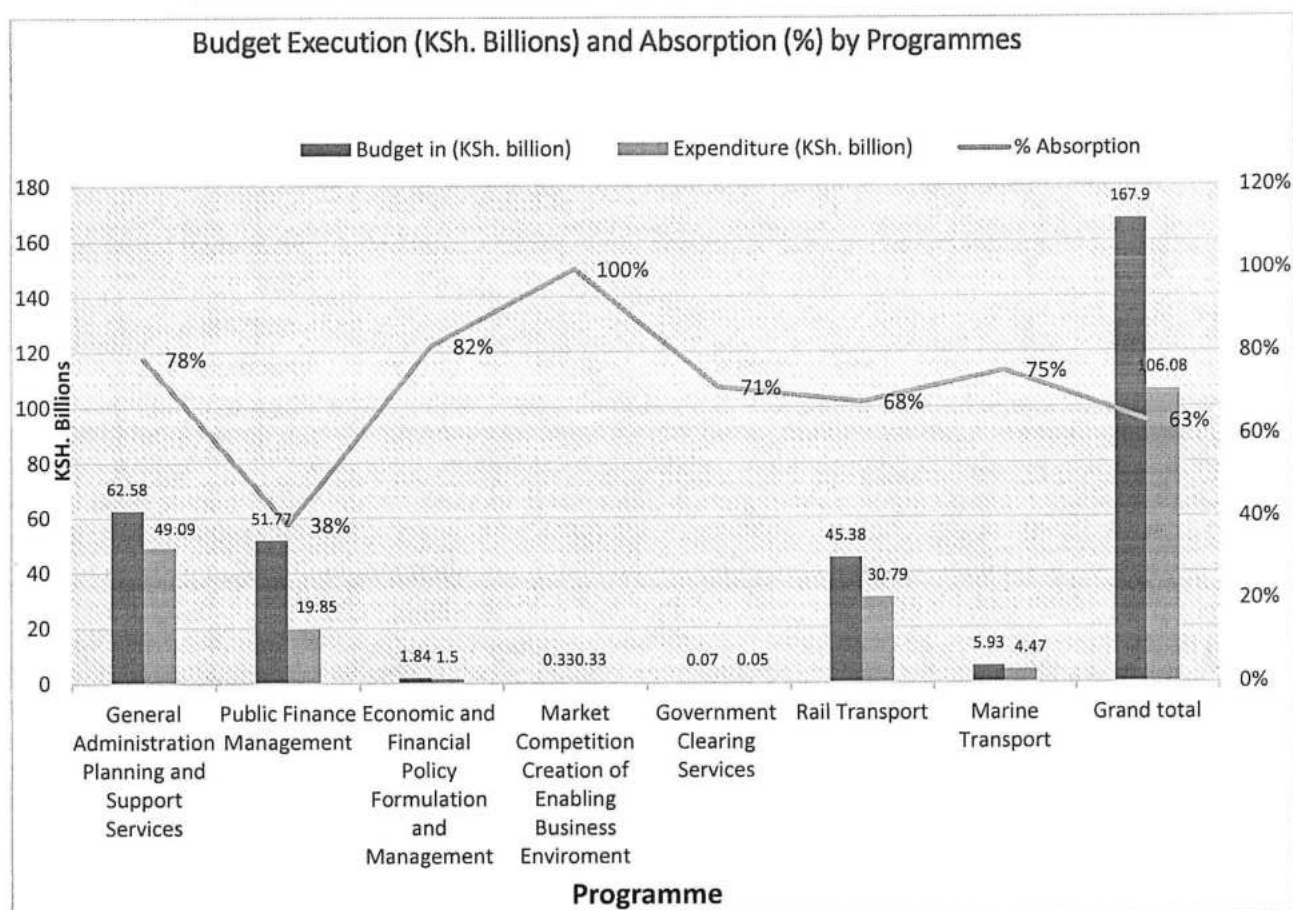
The National Treasury implemented the 2021/22 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling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

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

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

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

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



## Key Achievements

### Enhanced Revenue Collection

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

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

- Developed the Draft National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with

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

### **Emerging Issues**

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

- Transition to new Government will require re-alignment of the existing plans and strategies to accommodate Emerging Priorities under the new administration.
- Leveraging on ICT innovations in the delivery of services to the citizenry.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.
- Eastern Europe Conflict: - the ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices.

### **Challenges**

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

- **Resource Constraint**

The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes on training,

hospitality, transfer of conditional grants to County Governments and to semi-autonomous Agencies (SAGAs). The underperformance in revenue also caused delays in disbursement of funds by the National Treasury to MCDAs. The underperformance of county governments own source revenue led to overreliance on transfers from the National Government occasioning more pressure on the exchequer.

- **Inflationary pressures**

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

- **Shortage of Key Technical Staff**

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

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

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

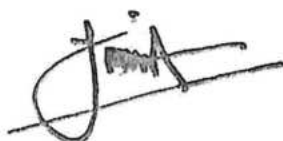
- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,
- The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including:
  - i) Subsidising fuel pump prices;
  - ii) Waiving of taxes, fees and charges on maize and animal feeds imported into the country;
  - iii) Setting aside KSh. 3.0 billion in April-June, 2022 for a fertiliser subsidy to support farmers during the last planting season, with a further KSh. 2.7 billion set aside for the next planting season in October, 2022.
  - iv) Reducing electricity tariffs by 15 percent to lower the cost of power.
- Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions.
- Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.



**Recommendations**

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

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



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

### 3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

#### Introduction

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

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

#### Progress on Attainment of Strategic Development Objectives

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

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

The National Treasury  
Financial Statements for COVID – 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

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



The National Treasury  
Financial Statements for COVID – 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			No. of Clients accessing Agricultural Finance Corporation loans	A total of 193,516 client outreach was achieved in both wholesale and retail lending
			Value Capital injected into the Credit Guarantee Scheme (CGS) in KSh. (Billions)	<p>The Government allocated an initial seed capital of KSh.3 billion toward the inaugural CGS for MSME.</p> <p>As at 31st July, 2022, the Scheme had facilitated private sector lending to the 11 sectors of the economy, as designated by CBK. MSMEs across 46 counties had benefited from credit facilities guaranteed under the Scheme. All categories of MSMEs have been able to access credit under the Scheme. During the same period, approximately KSh. 4.03 billion was lent out to target beneficiaries.</p>
			No. of legal frameworks on financial services sector developed	38 Counties have established their County Climate Change Funds (CCCFs) and opened special purpose accounts to receive the Program Grants.
			No. of Counties with CCF operationalized for the FY 2021/22	40 counties have developed county climate change laws i.e., County Climate Change Acts and County Climate Change Fund Acts. In addition, twelve (12) counties have developed County Climate Finance Policies.
<b>Market Competition and Creation of an Enabling Business Environment</b>	To promote and sustain competition	Sustained high productivity and competitive markets	% of consumer complaints on competition investigated	100% of the consumer complaints investigated and 64% Consumer cases concluded
			% of Merger and acquisitions	97%



The National Treasury  
Financial Statements for COVID – 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

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

#### **4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

##### **4.1. Sustainability Strategy and Profile**

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

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

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

##### **4.2. Environmental performance**

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

#### **4.3. Employee welfare**

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

#### **4.4. Market place practices**

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

#### **4.5. Community Engagements**

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

## **5 Overview of the Covid - 19 Emergency Response Fund**

### **5.1 Background and establishment of the Fund**

To foster national response to successfully contain the spread, effects and impact of the Corona Virus, COVID - 19 pandemic to Kenyan citizens, and particularly the most venerable members of the society, His Excellency the President directed the National Treasury to set up the COVID-19 Emergency Response Fund. Accordingly, the Fund was established vide Kenya Gazette Supplement No. 19A dated 27<sup>th</sup> March, 2020. The principal objective of the Fund shall be to mobilise resources for emergency response towards containing the spread, effects and impact of the COVID-19 Pandemic.

The seed capital of the Fund shall be appropriation by the National Assembly for the purpose of the Fund, voluntary contribution from public and private entities and individuals, grants, donations, subscriptions bequests or other gifts and monies from other sources approved by the Cabinet.

### **5.2 Administration of the Fund**

Management of the Fund is through established COVID – 19 Emergency Response Fund Board comprising of a Chairperson appointed by the President, Cabinet Secretary responsible for matters relating to interior and coordination of National Government, chairperson of the Council of County Governors and eight other members who shall not be public officers appointed by the President.

The administrator of the Fund shall be the Principal Secretary for the time being responsible for matters relating to finance who designates officers under him as secretariat to the Fund.

This report therefore covers the operations of the COVID – 19 Emergency Response Fund for the financial year ended 30<sup>th</sup> June 2022.

### **5.3 Operations of the Fund during the year**

The Fund received Kshs 0.28 Million during the financial year 2021/2022 compared with Kshs 13.33 Million during previous year. During the financial year, all fund bank balances were transferred to the Exchequer.

As at 30<sup>th</sup> June 2022, the Fund account had a nil balance. The Fund accounts were maintained at the Central Bank of Kenya and the National Bank of Kenya.

## 6 Statement of Management Responsibilities


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


The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the COVID – 19 Emergency Response Fund, which give a true and fair view of the state of affairs of Fund for and as at the end of the financial year (period) ended on June 30, 2021. 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 status of the Fund by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the COVID – 19 Emergency Response Fund, which has been prepared on the Cash Basis Method using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the financial statements of the COVID – 19 Emergency Response Fund give a true and fair view of the performance of the Fund during the financial year ended June 30, 2022. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

The Accounting Officer confirms that the Fund has complied fully with applicable Government Regulations. Further the Accounting Officer confirms that this report has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 22 December 2022 by:

Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury

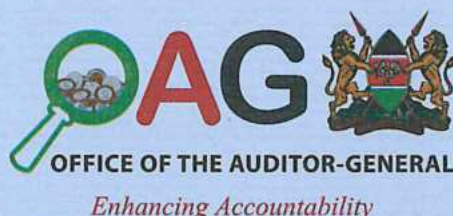
Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury





# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON COVID-19 EMERGENCY RESPONSE FUND FOR THE YEAR ENDED 30 JUNE, 2022 – THE NATIONAL TREASURY**

---

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of COVID-19 Emergency Response Fund set out on pages 1 to 7, which comprise the statement of assets and



liabilities as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the COVID-19 Emergency Response Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

### **Basis of Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the COVID-19 Emergency Response Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Fund or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



## **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from



fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


06 December, 2022




## 8. Statement of Receipts and Payments for the year ended 30<sup>th</sup> June 2022

	Notes	2022 Kshs	2021 Kshs
<b>Receipts</b>			
Receipts into the Fund	12.2	280,424.40	13,336,537.20
<b>Total Receipts</b>		<b>280,424.40</b>	<b>13,336,537.20</b>
<b>Payments</b>			
Transfer to Exchequer	12.3	9,700,866,489.80	
Bank charges and transfer fees	12.4	731.70	180.00
<b>Total payments</b>		<b>9,700,867,221.50</b>	<b>180.00</b>
<b>Deficit/Surplus for the Year</b>		<b>(9,700,586,797.10)</b>	<b>13,336,357.20</b>

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 22 December 2022 by:


Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury


Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury

**9 Statement of Assets and Liabilities as at 30<sup>th</sup> June 2022**

	Note	2022 Kshs	2021 Kshs
<b>Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12.5	-	9,700,586,797.10
<b>Total Cash and Cash Equivalents</b>		-	9,700,586,797.10
<b>Accounts Receivables</b>			
Outstanding Imprests		-	-
<b>Total Financial Assets</b>		-	9,700,586,797.10
<b>Financial Liabilities</b>			
Accounts Payables – Deposits and Retentions		-	-
<b>Net Financial Assets</b>		-	9,700,586,797.10
<b>Represented By</b>			
<b>Fund Balance B/Fwd</b>		9,700,586,797.10	9,687,250,439.90
Deficit/Surplus for the Year		(9,700,586,797.10)	13,336,357.20
<b>Net Financial Position</b>		-	9,700,586,797.10

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 22 December 2022 by:

Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury

Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury





The National Treasury  
Financial Statements for COVID – 19 Emergency Response Fund  
For the Financial Year ended 30<sup>th</sup> June 2022

**10 Statement of Cash Flows for the year ended 30<sup>th</sup> June 2022**

		2022 Kshs	2021 Kshs
<b>Cash from Operating Activities</b>			
Receipts into the Fund	12.2	280,424.40	13,336,537.20
<b>Payments</b>			
Transfer to the Exchequer	12.3	9,700,866,489.80	180.00
Bank charges and transfer fees	12.4	731.70	
<b>Net Cash Flow from Operating Activities</b>		<b>(9,700,586,797.10)</b>	<b>13,336,357.20</b>
<b>Cash flow from Investing Activities</b>		-	-
<b>Cash flow from Financing Activities</b>		-	-
<b>Net increase in Cash and Cash Equivalents</b>		<b>(9,700,586,797.10)</b>	<b>13,336,357.20</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>9,700,586,797.10</b>	<b>9,687,250,439.90</b>
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>-</b>	<b>9,700,586,797.10</b>

Notes to the financial statements set out on pages 5 to 7 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 22 December 2022 by:

Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury

Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury





## 11 Statement of Comparison of Budget and Actual Amounts for the year ended 30<sup>th</sup> June 2022

The following statement summarizes the outturn against budget:

	Original Estimates	Adjustments	Revised Estimates	Total Actual 30 <sup>th</sup> June 2022	Difference	Dev.
	Kshs		Kshs	Kshs	Kshs	%
Opening balance	-	-	-	-	-	-
Receipts						
COVID – 19 Emergency Response Fund	-	-		280,424.40	-	-
<b>Total</b>		-		<b>280,424.40</b>		
Transfers						
Transfer to Exchequer	-			9,700,866,489.80		
Bank charges	-			731.70		
<b>Total Transfers</b>		-		<b>9,700,867,221.50</b>		

There was no budget for the Fund in financial year 2021/2022. The Funds balances were transferred to the Exchequer to be used for Covid-19 related interventions in the financial year 2021/2022.

Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury

Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury

## **12 Notes to the Financial Statements**

### **12.1 Significant Accounting Policies.**

#### **a) Basis of preparation**

The financial statements of COVID – 19 Emergency Response Fund have been prepared in accordance with the International Public Sector Accounting Standard (IPSAS) cash-based standard as prescribed by the Public Sector Accounting Standard Board (PSASB).

#### **b) Reporting entity**

This report relates to financial operations of the COVID – 19 Emergency Response Fund Account maintained at Central Bank of Kenya and National Bank of Kenya. The reporting entity is The National Treasury.

#### **c) Revenues**

The seed capital of the Fund shall be appropriation by the National Assembly for the purpose of the Fund, voluntary contribution from public and private officers, grants, donations, subscriptions bequests or other gifts and monies from other source approved by the Cabinet.

#### **d) Expenditure and transfers**

The monies in the Fund shall be used for COVID-19 interventions which includes human medicine, medical equipment, medical consumables, medical protective gear, quarantine facilities, COVID-19 test kits, food, logistics, water, electricity and medical disposal bins. This is aimed at fostering national response to successfully contain the spread, effects and impact the Coronavirus, COVID-19 pandemic to Kenyan citizens, and particularly the most venerable members of the society.

#### **e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand, bank balances, and short-term deposits in money market instruments.

#### **f) Presentation currency**

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

## 12.2 Receipts into the Fund

An amount of Kshs 0.28 million was received during financial year 2021/2022 compared with Kshs 13.33 million during financial year 2020/2021. The following is the breakdown on a quarterly basis:

Description	Period to 30 <sup>th</sup> June 2022 Kshs	Period to 30 <sup>th</sup> June 2021 Kshs
1 <sup>st</sup> Quarter	280,424.40	3,135,851.80
2 <sup>nd</sup> Quarter	-	10,200,685.40
3 <sup>rd</sup> Quarter	-	-
4 <sup>th</sup> Quarter	-	-
<b>Total Receipts</b>	<b>280,424.40</b>	<b>13,336,537.20</b>

## 12.3 Transfer to Exchequer

Transfer to the Exchequer was made during 2021/2022 FY as follows;

Date	Details	Period to 30 <sup>th</sup> June 2022	Period to 30 <sup>th</sup> June 2021
30 <sup>th</sup> June 2022	Central Bank of Kenya A/c No. 1000445057	306,209,089.80	
30 <sup>th</sup> June 2022	Central Bank of Kenya A/c No. 1000446021	9,387,674,000.00	
30 <sup>th</sup> June 2022	National Bank of Kenya A/c 01071225535900	6,983,400.00	
	<b>Total</b>	<b>9,700,866,489.80</b>	

## 12.4 Bank Charges

The breakdown of the bank charges is as follows;

Date of transfer	Details	Period to 30 <sup>th</sup> June 2022	Period to 30 <sup>th</sup> June 2021
02 <sup>nd</sup> July 2020	Bank charges - National Bank of Kenya		150.00
02 <sup>nd</sup> July 2020	Bank charges - National Bank of Kenya		30.00
30 <sup>th</sup> June 2022	Bank charges - National Bank of Kenya	100.00	
30 <sup>th</sup> June 2022	Bank charges - National Bank of Kenya	20.00	
30 <sup>th</sup> June 2022	Bank charges - National Bank of Kenya	500.00	
30 <sup>th</sup> June 2022	Bank charges - National Bank of Kenya	100.00	
30 <sup>th</sup> June 2022	Bank charges - National Bank of Kenya	11.70	
	<b>Total</b>	<b>731.70</b>	<b>180.00</b>

## 12.5 Bank balances


There were no bank balances as at 30<sup>th</sup> June 2022 compared with to Kshs 9.70 Billion in the previous year.


Bank Name and Account	30 <sup>th</sup> June 202 (Kshs)	30 <sup>th</sup> June 2021 (Kshs)
Central Bank of Kenya A/c No. 1000445057	-	305,928,665.40
Central Bank of Kenya A/c No. 1000446021	-	9,387,674,000.00
National Bank of Kenya A/c No. 01071225535900	-	6,984,131.70
<b>Total</b>	<b>-</b>	<b>9,700,586,797.10</b>

### 13 Progress on follow up of Auditor's Recommendations

The Fund was started during 2020/2021 financial year hence no unresolved issues from the previous years.

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )
N/A	N/A	N/A	N/A	N/A	N/A

Signature:   
Dr. Chris Kiptoo, CBS  
Principal Secretary  
The National Treasury

Signature:   
FCPA Bernard Ndungu, MBS  
Director General, Accounting  
Services & Quality Assurance  
The National Treasury



