

REPUBLIC OF KENYA



Enhancing Accountability

REPORT	
THE NATIONAL ASSEMBLY	
DATE: 07 JUN 2022 <i>Tuesday</i>	
TABLED BY:	<i>Lom</i>
CLERK-AT THE TABLE:	<i>M. Mwanja</i>

THE AUDITOR-GENERAL

ON

COVID-19 EMERGENCY RESPONSE FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**

THE NATIONAL TREASURY





THE NATIONAL TREASURY

Financial Statements for the Covid - 19 Emergency Response Fund

For the Financial Year ended 30th June 2021

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

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

- Government Accounting Services
- Integrated Financial Management Information Systems (IFMIS)
- 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 consist of functions that 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 30th June 2021 and who had direct fiduciary responsibilities were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Director General, Budget Fiscal & Economic Affairs	Mr. Albert Mwenda, HSC
3.	Director, Budget Department	Mr. Francis Anyona, OGW
4.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
5.	Ag. Director, Intergovernmental Fiscal Relations Department	Mrs. Josephine Kanyi
6.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
7.	Director, Public Procurement Department	Mr. Eric Korir
8.	Director General, Accounting Services & Quality Assurance	FCPA Bernard Ndung'u, MBS
9.	Ag. Director, Government Accounting Services Department	Mr. Jonah Wala
10.	Ag. Deputy Internal Auditor General	Ms. Jane Micheni
11.	Ag. Director, National Sub County Treasuries	Mr. Francis Kariuki
12.	Director, Integrated Financial Management Information System	Mr. Stanley Kamanguya
13.	Ag. Director, Government Digital Payments Unit	Mr. Nicholas Wambugu
14.	Head of Exchequer operations	Ms. Jane W N Macharia
15.	Director General, Public Investments & Portfolio Management	Eng. Stanley Kamau
16.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
17.	Ag. Director, National Assets and Liability Management	Mrs. Veronica Okoth
18.	Director, Pensions Department	Mr. Michel Kagika, EBS
19.	Director General, Public Debt Management Office	Dr. Haron Sirma, OGW
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Director General, Public Private Partnerships (PPP) Directorate	Mr. Christopher Kirigua, OGW
24.	Director, Public Private Partnership Unit	Mrs. Veronica Okoth
25.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
26.	Secretary Administration	Mr. Hiram Kahiro
27.	Head, Accounts Division	Mr. Nemwel Motanya
28.	Head, Finance	Mr. Kimathi Mugambi, HSC
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.	Director, Government Clearing Agency	Mr. Felix Ateng
36.	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 Committee

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 Liaison Office

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. There are also other liaison officers in the Accountant General Department who sit in fiduciary parliamentary committees as representative of The National treasury.

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 adhoc Committees to handle specific assignments in the Financial Year 2020/21.

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.

(e) The National Treasury Headquarters

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

The National Treasury Contacts

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

(f) The National Treasury Bankers

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

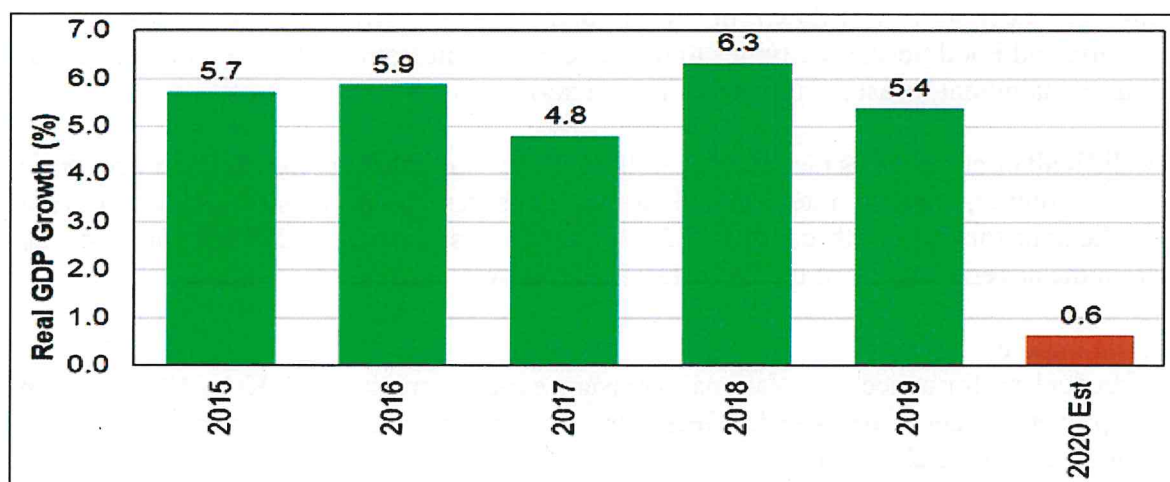
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

1. 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.

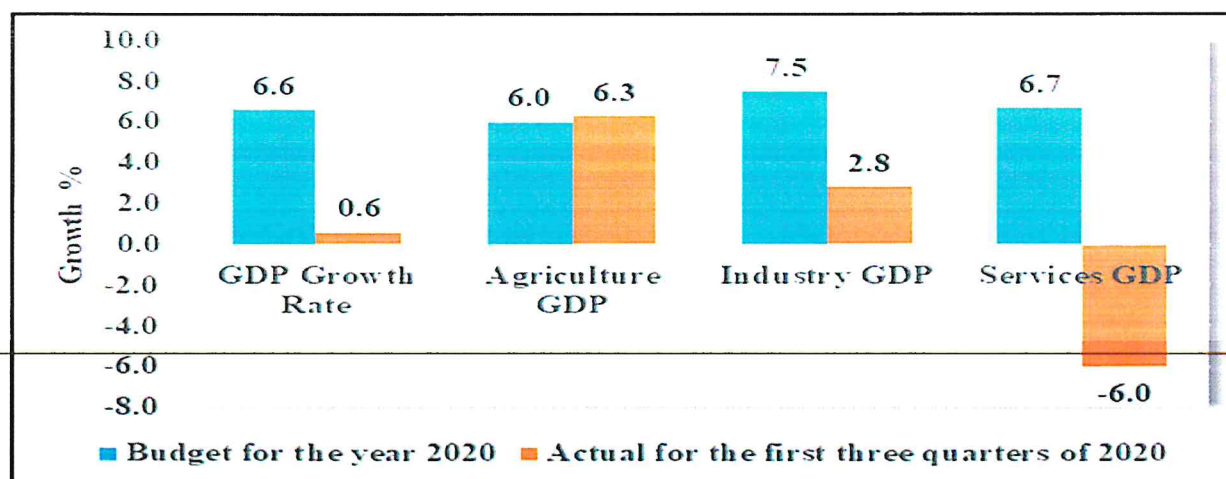
Economic growth in the first three quarters of 2020 contracted by an average of 0.4% compared to a growth of 3.6 percent in the corresponding period of 2019. In 2020, the Kenyan economy was adversely affected by the outbreak of Covid-19 Pandemic and the swift containment measures, which disrupted and scaled down economic activities within the country and in most of the country's major trading partners. Additionally, Kenya faced two other shocks: the invasion of swarms of desert locusts that damaged crops and occurrence of floods following receipt of more than normal rainfall in May 2020. As a result, growth in 2020 is estimated to have contracted by 0.6 percent from a growth of 5.4 percent in 2019 (figure 1).

Figure 1: Annual Real GDP Growth rates (Percent)



The agriculture sector recorded an improved average growth of 6.4 percent in the first three quarters of 2020 compared to a growth of 3.6 percent in the corresponding period of 2019. The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by an average of 2.1 percent in the first three quarters of 2020 down from an average growth of 6.1 percent in a similar period in 2019. (Figure 2).

Figure 2: Annual Percentage Economic Growth Rates in 2020/21



Data Source: Quarterly Economic and Budgetary Review(QEBR), MTP III

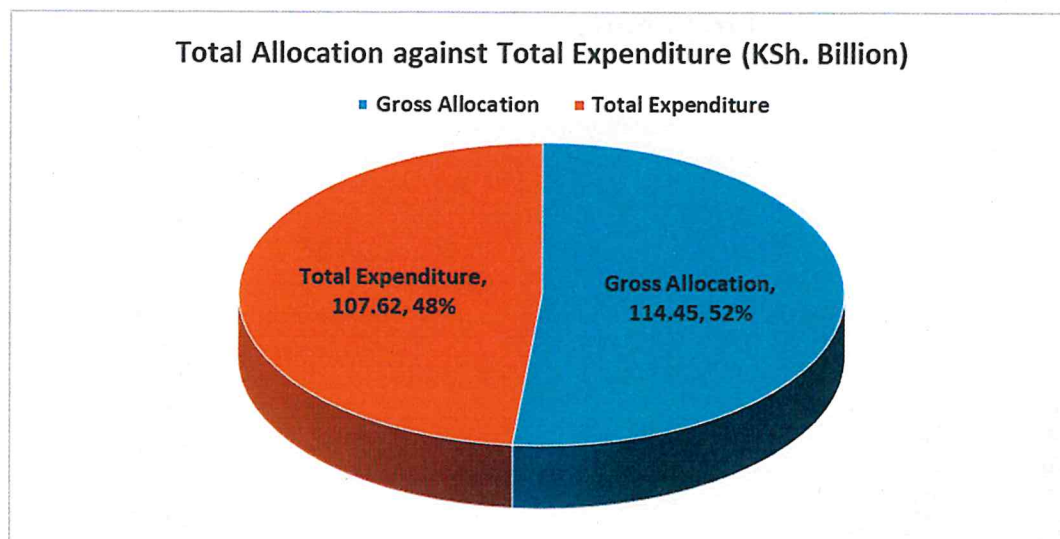
Additionally, the economic slowdown in fourth quarter was aggravated by contraction in Accommodation and Food Service activities to negative 6 per cent from 6.7 per cent on account of Corona Virus containment measures instituted in our major tourist source markets.

Despite the difficult circumstances faced last year, the country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable. Leading economic indicators for the fourth quarter of 2020 and the first quarter of 2021 point to strong recovery from the adverse impact of the COVID-19 pandemic.

Budget performance

In terms of budget performance, the National Treasury expenditure stood at **Kshs.107.6 Billion** against an approved budget of **Kshs.114.5 Billion** translating to an overall absorption rate of 94% as demonstrated in that pie chart below:

Figure 3: Total Allocation against Total Expenditure (Kshs. Billion)

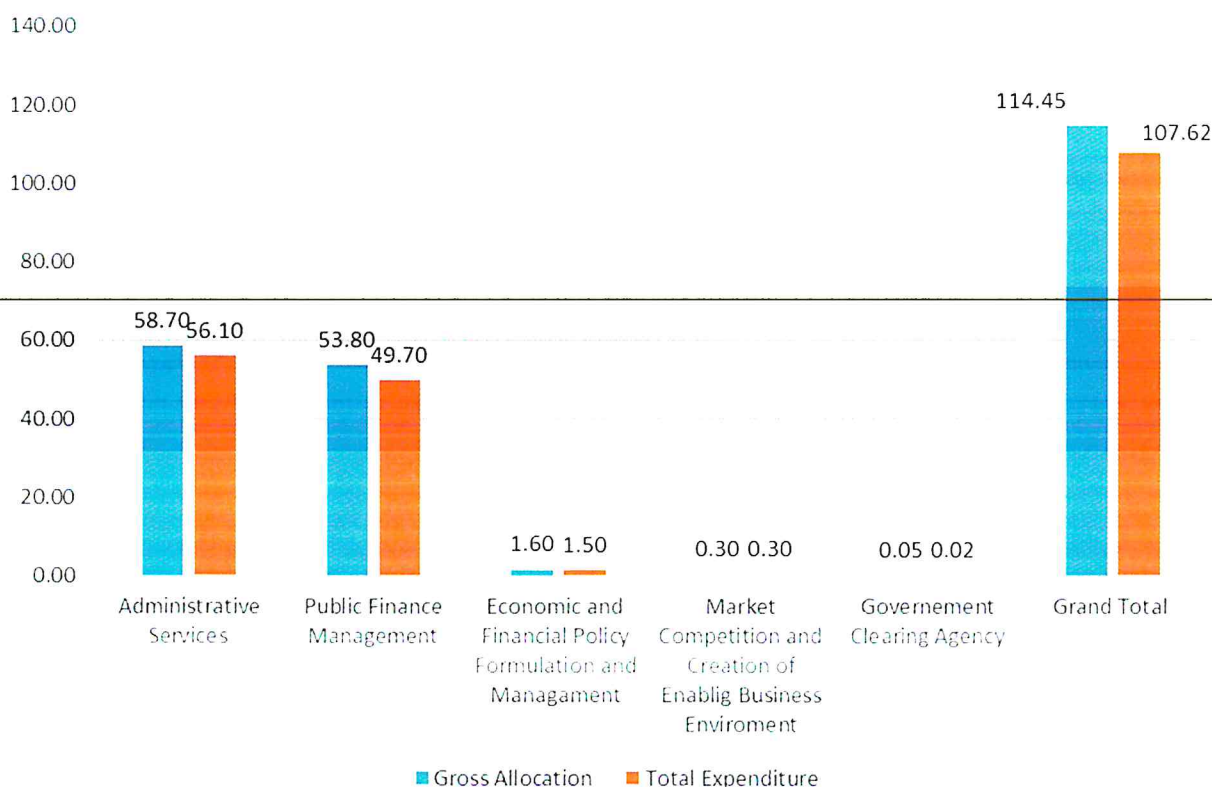


The National Treasury implemented the 2020/21 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling Business Environment, and Government Clearing Agency. As demonstrated in the bar chart below, the Market Competition Programme had the highest absorption at 100% followed by General Administration 96%, Economic and Financial Policy Formulation and Management 94%, and Public Financial Management Programme at 82% while Government Clearing Agency at 30%.

Figure 3: Budget Execution (KSh. Billions) and proportion (%) by Programmes

The 100% 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.

Budget Execution (KSh. Billions) and proportion (%) by Programmes



The Public Service Superannuation Scheme commenced on 1st January 2021, with the Board of Trustees having been constituted in line with the provisions of the Act that established the scheme. The scheme covers all employees below the age of 45 years of the Public Service Commission, the Teachers Service Commission and the National Police Service. This will be the largest pension fund in the country and will generate growth of capital markets and bring growth in unlocking value in real estate.

The Performance Contract Evaluation report for all Ministries, State Corporations and Tertiary Institutions released in May 2021 ranked the National Treasury and Planning as the best performing Ministry for Fiscal year 2019/2020.

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

- i. Mobilization of external resources amounting to **Kshs.622 billion** for projects and Kshs.423 billion for budget support to meet the budget deficit equivalent to 40.3% of the fiscal gap;
- ii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iii. Developed two Public Private Partnership (PPP) Projects Standardized Transactional Templates.
- iv. Developed Government Investment Management Information System (GIMIS);
- v. Conducted 245 value for money (VfM) audits;
- vi. Trained 1,273 Public Finance Management (PFM) users on financial reporting on IFMIS system;

Emerging Issues

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

- Covid-19 Pandemic and the containment measures led to depressed business environment hence pushing many enterprises and business to scale down operations. This negatively impacted revenue performance, thus exacerbating the pressure for resource at the Ministry level, the containment measures included but not limited to work shift plans and restriction of movements. These constrained the implementation of planned activities for the National Treasury.
- Re-allocation of resources to finance Covid-19 related expenditures thus affecting implementation of some programmes and projects.
- 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.

Challenges

Some of the challenges the National Treasury faced while implementing the 2020/21 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 MDAs. The underperformance of county governments own source revenue led to overreliance on transfers from the National Government occasioning more pressure on the exchequer.
- Shortage of Key Technical Staff
- The National Treasury experienced staff shortage across all cadres. This is attributed to natural attrition and departure of staff to the county governments and other constitutional bodies. 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.
- Lack of a Project Implementation, Monitoring and Evaluation framework.

To amount the above 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,
- Undertook expenditure reduction strategies such as austerity measures and relevant re-prioritization of projects funding to those with greatest impact.
- 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 sub-Sector to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 recovery programmes and strategies
 - Reforms in Public Financial Management 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.
 - Leveraging on the use of ICT in the face of COVID 19 containment measures to ensure timely delivery of targets and through acquisition of modern communication equipment and systems.
-
- Enhancing working environment and 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, its banking, money markets and capital market transactions as well as borrowing.



HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY/NATIONAL TREASURY & PLANNING

3 Overview of the Covid - 19 Emergency Response Fund

3.1 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 27th 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.

3.2 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 30th June 2021.

3.3 Operations of the Fund during the year

The Fund received Kshs 13.33Million during the financial year 2020/2021 compared with Kshs 9.68 billion during previous year. There was no transfers were made during the financial year.

As at 30th June 2021, the Fund account had a cumulative balance of Kshs 9.70 billion. The Fund accounts are maintained at the Central Bank of Kenya and the National Bank of Kenya.

4 Statement of Responsibility

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, 2021. 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 6 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 25th February, 2022 by:

Signature: 
Julius Muiia, PhD, CBS
Principal Secretary,
The National Treasury

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

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON COVID-19 EMERGENCY RESPONSE FUND FOR THE YEAR ENDED 30 JUNE, 2021 – 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 financial assets

and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows 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, 2021, 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of a Management Board

As was reported in the previous financial year, the Fund has continued to exist without a properly constituted Board to manage the Fund as required by the Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020. Management indicated that there exists a similar Fund under the Office of the President, with a fully constituted Board and whose roles and mandate are similar to the Fund being run by The

National Treasury. However, there is no evidence that the existing Board was appointed within the provisions of the Public Finance Management (COVID-19 Emergency Response Fund) Regulations, 2020.

Further, available information indicates that on 12 June, 2020, the Fund Board registered Kenya COVID-19 Emergency Fund Limited under the Companies Act, 2015 as a company limited by guarantee. According to the registration documents the Cabinet Secretary in charge of the Ministry of Interior and Coordination of National Government and the Chairperson of the Council of Governors had not been listed as Board Members/Directors of the Kenya COVID-19 Emergency Fund Limited Company as per Regulation 7(1) of the COVID-19 Emergency Response Fund Regulation, 2020. There was no explanation for the exclusion of the two Board Members as Directors of the Kenya COVID-19 Emergency Fund Limited Company.

In addition, there was no explanation why a public fund established under the Public Finance Management Act, 2012 was again registered as a Company Limited by Guarantee under the Companies Act, 2015.

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

2. Failure to Utilize Funds

The statement of receipts and payments for the year ended 30 June, 2021, reflects receipts of Kshs.13,336,527. Although the Fund has been in existence for two (2) years with total accumulated receipts of Kshs.9,700,586,977, no expenditure has been incurred since inception of the Fund. This is despite the fact that the Fund was created to alleviate the effects of the rampaging COVID-19 pandemic. The Fund has therefore been an accumulation of non-interest-earning funds.

In the circumstances, the Fund did not achieve its objective of alleviating the effects of the COVID-19 pandemic as envisaged. These funds did not realize value for money as the resources remain held idle while the citizen suffers from the scourge.

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.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

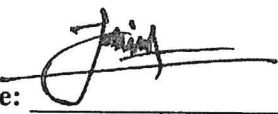
Nairobi


20 May, 2022

6. Receipts and Payments Statements for the year ended 30th June 2021

	Notes	2021 Kshs	2020 Kshs
Receipts			
Opening balance		9,687,250,439.90	-
Receipts into the Fund	10.2	13,336,537.20	9,687,250,979.90
Total Receipts		9,700,586,977.10	9,687,250,979.90
Payments			
Bank charges and transfer fees	10.3	180.00	540.00
Total payments		180.00	540.00
Closing balance		9,700,586,797.10	9,687,250,439.90

Notes to the financial statements set out on pages 5 to 6 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 25th February 2022 by:

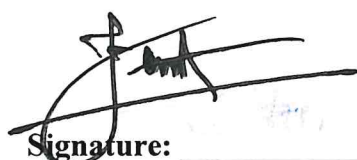
Signature: 
Julius Muia, PhD, CBS
Principal Secretary,
The National Treasury


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

7 Statement of Assets and Liabilities as at 30th June 2021

	Note	2020 Kshs	2019 Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	10.4	9,700,586,797.10	9,687,250,439.90
Total Cash and Cash Equivalents		9,700,586,797.10	9,687,250,439.90
Accounts Receivables			
Outstanding Imprests		-	-
Total Financial Assets		9,700,586,797.10	9,687,250,439.90
Financial Liabilities			
Accounts Payables – Deposits and Retentions		-	-
Net Financial Assets		9,700,586,797.10	9,687,250,439.90
Represented By			
Fund Balance B/Fwd		9,687,250,439.90	-
Deficit/Surplus for the Year		13,336,357.20	9,687,250,439.90
Net Financial Position		9,700,586,797.10	9,687,250,439.90

Notes to the financial statements set out on pages 5 to 6 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 25th February 2022 by:



Signature: _____
Julius Muia, PhD, CBS
Principal Secretary,
The National Treasury



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

8 Statement of Cash Flow for the year ended 30th June 2021

		2021 Kshs	2020 Kshs
Cash from Operating Activities			
Receipts into the Fund	10.2	13,336,537.20	9,687,250,979.90
Payments			
Bank charges and transfer fees	10.3	180.00	540.00
Net Cash Flow from Operating Activities		13,336,357.20	9,687,250,439.90
Cash flow from Investing Activities		-	-
Cash flow from Financing Activities		-	-
Net increase in Cash and Cash Equivalents		13,336,357.20	9,687,250,439.90
Cash and cash equivalents at the beginning of the year		9,687,250,439.90	-
Cash and Cash Equivalents at the end of the Year		9,700,586,797.10	9,687,250,439.90

Notes to the financial statements set out on pages 5 to 6 form an integral part of these financial statements. This statement has been prepared, reviewed and approved on 28th February 2022 by:

Signature: 
Julius Muia, PhD, CBS
Principal Secretary,
The National Treasury

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

9 Summary of Budget versus Actual Performance for the year ended 30th June 2021

The following statement summarizes the outturn against budget:

	Original Estimates	Adjustments	Revised Estimates	Total Actual 30 th June 2021	Difference	Dev.
	Kshs		Kshs	Kshs	Kshs	%
Opening balance	-	-	-	-	-	-
Receipts						
COVID – 19 Emergency Response Fund	-	-		13,336,537.20	-	-
Total		-		13,336,537.20		
Transfers						
Bank charges	-			180.00		
Total Transfers		-		180.00		

There was no budget for the Fund in financial year 2020/2021. The funds are expected to be utilised in the financial year 2021/2022 and subsequent years.

10 Notes to the Financial Statements

10.1 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 vulnerable 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.

10.2 Receipts into the Fund

An amount of Kshs 13.33 million was received during financial year 2020/2021 compared with 9,687.2 million during financial year 2019/. The following is the breakdown on a quarterly basis of the receipts into the Fund account.

Description	Period to 30 th June 2021	Period to 30 th June 2020
	Kshs	Kshs
1 st Quarter	3,135,851.80	
2 nd Quarter	10,200,685.40	
3 rd Quarter	-	
4 th Quarter	-	9,687,250,979.90
Total Receipts	13,336,537.20	9,687,250,979.90

10.3 Bank Charges

The breakdown of the bank charges is as follows;

Date of transfer	Details	Period to 30 th June 2021	Period to 30 th June 2020
12-May-20	Bank charges at the National Bank of Kenya a/c no. 01071225535900		180.00
12-Jun-20	Bank charges at the National Bank of Kenya a/c no. 01071225535900		180.00
30-Jun-20	Bank charges at the National Bank of Kenya a/c no. 01071225535900		180.00
02-July-2020	Bank charges at the National Bank of Kenya a/c no. 01071225535900	150.00	
02-July-2020	Bank charges at the National Bank of Kenya a/c no. 01071225535900	30.00	
	Total	180.00	540.00

10.4 Bank balances

The bank balances as at 30th June 2021 amounted to Kshs 9.70 billion compared with to Kshs 9.68 in the previous year.


Bank Name and Account	30 th June 2021 (Kshs)	30 th June 2020 (Kshs)
Central Bank of Kenya A/c No. 1000445057	305,928,665.40	294,025,243.10
Central Bank of Kenya A/c No. 1000446021	9,387,674,000.00	9,387,674,000.00
National Bank of Kenya A/c No. 01071225535900	6,984,131.70	5,551,196.80
Total	9,700,586,797.10	9,687,250,439.90

12 Progress on follow up of Auditor's Recommendations

The Fund was started during 2019/2020 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: 
 Julius Muia, PhD, CBS
 Principal Secretary,
 The National Treasury

Signature: 
 FCPA Bernard Ndungu, MBS
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