



REPUBLIC OF KENYA
THE NATIONAL TREASURY

Government of Kenya
Consolidated Financial Statements
National Government
For The Year Ended 30th June 2016

Unaudited - Revised March 2017

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Appendix V: Public Debt report for year ended 30th June 2016

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For the Year Ended 30th June 2016

Abbreviations

FY	-	Fiscal Year
AIA	-	Appropriations in Aid
ADB	-	African Deveopment Bank
AFD	-	Agence Francaise De Developpement
BADEA	-	Arab Bank for Economic Development in Africa
CGs	-	County Governments
CBK	-	Central Bank of Kenya
EIB	-	European Development Bank
EEC	-	European Economic Community
PSASB		Public Sector Accounting Standards Board
GFS	-	Government Financial Statistics
IMF	-	International Monetary Fund
IPSAS	-	International Public Sector Accounting Standards
PFM	-	Public Financial Management
KShs	-	Kenya Shillings
KRA	-	Kenya Revenue Authority
KBC	-	Kenya Broadcasting Corporation
TARDA	-	Tana & Athi Rivers Development Authority
MDAs	-	Ministries, Departments and Agencies
OPEC	-	Organisation of Petroleum Exporting Countries
SAGAs	-	Semi-Autonomous Government Agencies
SCs	-	State Corporations
IDA	-	International Development Association
IFAD	-	International Fund for Agricultural Development

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Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

1 Statement of Responsibility

Section 80 of the Public Finance Management (PFM) Act, 2012 requires the National Treasury to prepare annual financial statements that consolidate the financial statements prepared by all National Government entities in accordance with the accounting policies and formats prescribed by the Public Sector Accounting Standards Board (PSASB) and to submit them to the Auditor General with a copy to the Controller of Budget and the Commission on Revenue Allocation by 31st October 2016.

These consolidated financial statements relate to the National Government entities that comprise of the **Consolidated Fund, Ministries, Departments and Agencies and Development Projects** for the financial year ended 30th June 2016.


The consolidated financial statements are based on financial statements prepared and submitted by the National Government entities in accordance with Sections 81 and 82 of the PFM Act, 2012. The responsibility of ensuring accuracy and completeness of the financial statements rests with the Accounting Officers of the respective entities. The National Treasury is responsible for the preparation of the consolidated financial statements for the National Government.

The consolidated financial statements have been prepared on a going concern basis, and are based on accounting policies which have been consistently applied and supported by reasonable and prudent judgments of estimates.

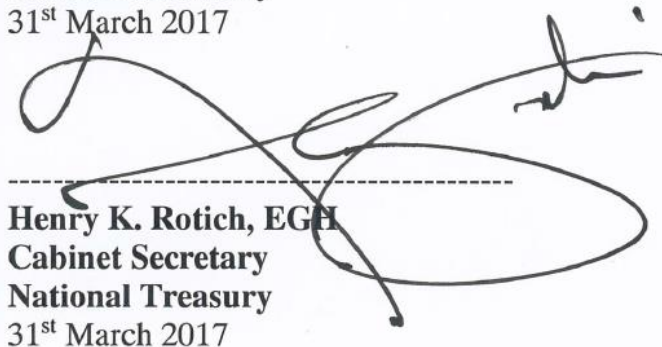
To the best of our knowledge, the National Government consolidated financial statements as set out on pages 1 to 32 are complete in all material aspects and have been accurately prepared for the financial year ended 30th June 2016.



Bernard Ndungu, MBS
Director General, Accounting Services & Quality Assurance
National Treasury
31st March 2017



Dr. Kamau Thugge, CBS
Principal Secretary
National Treasury
31st March 2017



Henry K. Rotich, EGH
Cabinet Secretary
National Treasury
31st March 2017

2 Legal Framework, Scope and Process of Consolidation

2.1 Overview

The Constitution provides for two levels of government; the National Government and County Governments. The National Government comprises of three arms: the legislature, the executive and the judiciary while the County Governments comprise of the 47 counties as provided for under Article 176 of the Constitution.

For purposes of fiscal statistics, these financial statements consolidates the budgetary entities of the National Government which consists of the Consolidated Fund including the National Exchequer Account; Ministries, Departments and Agencies; and Development Projects that submit separate reports.

The report excludes the State Corporations and Semi-Autonomous Government Agencies and Public Funds. These entities have separate legal form and specified governance frameworks and therefore fall outside the definition of budgetary National Government entities as per the Government Financial Statistics (GFSM) 2014 issued by International Monetary Fund (IMF).

The consolidated financial statements are prepared in accordance with Section 80 of the Public Finance Management (PFM) Act, 2012 that requires the National Treasury to prepare annual financial statements that consolidate the financial statements prepared by all National Government entities in accordance with the accounting policies and formats prescribed by the Public Sector Accounting Standards Board (PSASB) and to submit them to the Auditor General with a copy to the Controller of Budget and the Commission on Revenue Allocation by 31st October 2016.

The consolidated financial statements are based on financial statements prepared by entities in accordance with formats provided by the PSASB. The PSASB was established pursuant to section 192 of the PFM Act, 2012 and has the mandate to determine the accounting standards that public sector entities should apply. In line with its mandate, the PSASB prescribed the financial reporting standards to be applied in the public sector with effect from 1st July 2014. The PSASB also provided reporting templates to public entities to enable them comply with the standards.

2.2 Scope of Consolidation

The National Government consolidated financial statements for the financial year ended 30th June 2016 consist of a total of 153 entities. These are categorised as follows:

Type of institution	No. of Entities Consolidated	Reference to detailed breakdown of consolidated entities
The Consolidated Fund	20	Note 9.3.26
Ministries, Departments and Agencies	55	Note 9.3.26
Development Projects	78	Note 9.3.26
Total	153	

The report excludes County Governments; State Corporations; Semi-Autonomous Government Agencies and Public Funds. These entities have separate legal form and specified governance frameworks and therefore fall outside the definition of budgetary National Government.

2.2.1 The Consolidated Fund

Article 206 (1) of the Constitution of Kenya established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the National Government except money that: (a) is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose, (b) may, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ including Appropriation in Aid (AIA).

Section 17 of the Public Finance Management (PFM) Act, 2012 mandates the National Treasury to account for the Consolidated Fund.

The Consolidated Fund consists of the following:

- The Exchequer account;
- The domestic borrowing accounts through which proceeds from treasury bonds and treasury bills are collected before remittance to the Consolidated Fund;
- The overdraft account;
- The revenue collection accounts; and
- Special project deposit accounts.

2.2.2 Ministries, Departments and Agencies

Executive Order No. 2, dated 20th May 2013, on the organisation of Government saw the creation of 51 Ministries, Departments and Agencies (MDAs) that include commissions and constitutional bodies that have a separate votes and the Consolidated Fund Services which has 4 votes. In total there were 55 votes for the financial year ended 30th June 2016.

The Executive Order No. 2 coupled with Presidential Warrants: No. 1 of 2015/2016 dated 30th June 2015, No. 2 of 2015/2016 dated 6th May 2016 and No. 3 of 2015/2016 dated 30th June 2016 operationalise the votes by authorising the issuance of funds from the Consolidated Fund.

2.2.3 Development Projects

A significant portion of the development budget of the National Government is executed through Development Projects. The projects however access funding through the voted parent Ministries, Departments and Agencies. These projects report separately while others are consolidated by the parent MDAs.

During the financial year ended 30th June 2016, there were a total of 78 Development Projects that submitted separate reports and have been included in the consolidated financial statements.

2.3 Process of Consolidation

The consolidated financial statements have been prepared in accordance with accounting policies, which have been applied consistently in all material respects, unless otherwise indicated. The consolidation is based on financial statements submitted by entities indicated under section 2.2 above. The accounting officers in charge of these entities take responsibility for the accuracy of the financial statements submitted for consolidation.

The Directorate of Accounting Services and Quality Assurance has reviewed the financial statements submitted to provide reasonable assurance that the financial information is a reliable reflection of the consolidated financial position of the National Government as at 30th June 2016.

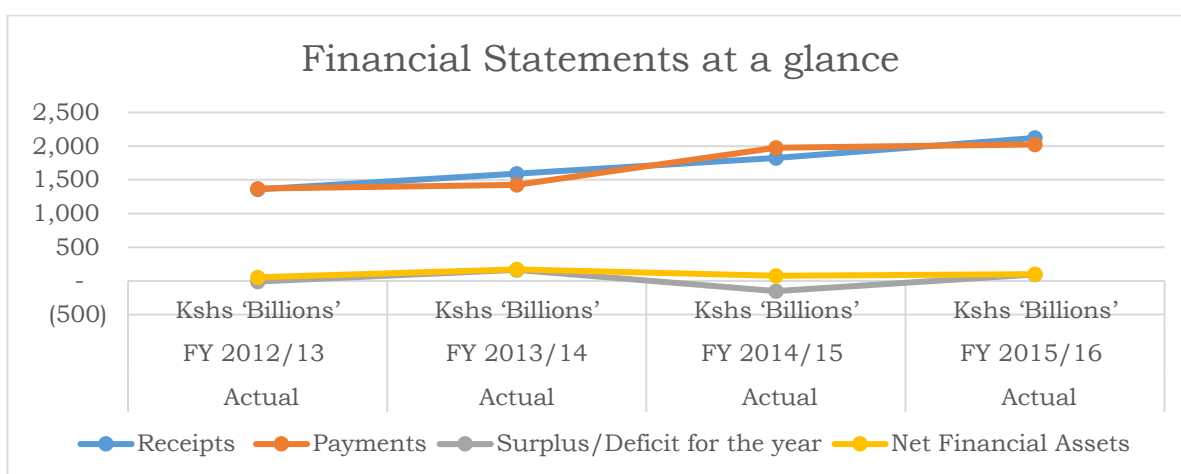
The financial statements are prepared on Cash-Basis IPSAS and adjustments from accrual basis of accounting to cash basis of accounting have been made for the few entities that are not using Cash-Basis IPSAS to prepare their financial statements. Material inter-entity transactions have been eliminated upon consolidation.

3 Commentary on the Consolidated Financial Statements

3.1 Summary of Financial Results

Actual Performance against Budget for Year to 30th June 2016 is summarised as follows:

Year ended 30 th June	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16
	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'
Receipts	1,359,443	1,591,236	1,827,207	2,122,235
Payments	1,370,722	1,427,279	1,979,577	2,025,740
Operating balance for the year	(11,279)	163,957	(152,370)	96,495
Net Financial Assets	53,565	171,543	78,188	100,979



3.2 Budget Performance

Actual Performance against Budget for the Financial Year 2015/2016 is summarised as follows:

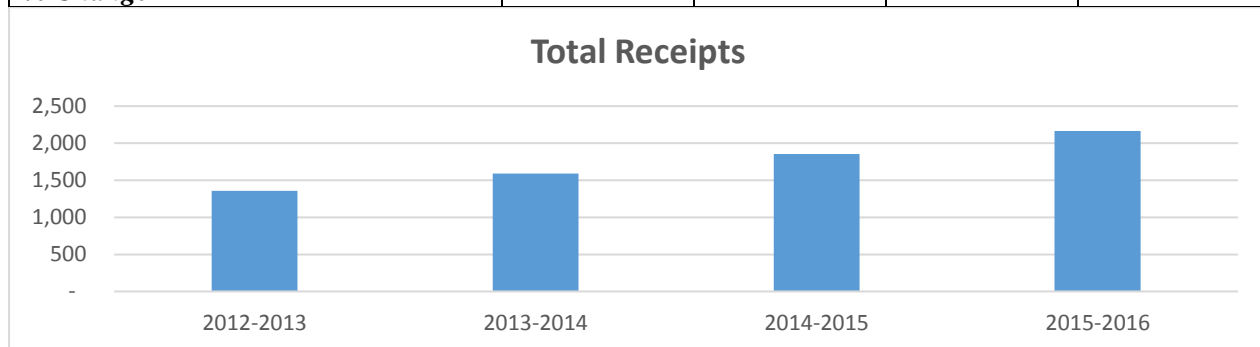
Description	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'
	a	b	c	d=c-b	e=c/b %
Total Receipts	2,212,249	2,253,494	2,122,234	(131,260)	94%
Total Payments	2,212,249	2,253,494	2,025,740	(227,754)	90%
Operating Balance	-	-	96,494		

Whereas most receipt categories were within 90% realization, grants and AIA under performed during the year. Equally most expenditure categories were above 90% utilization. Transfers, social security and acquisition of assets expenditure categories largely contributed to the 10% under utilization as shown in detailed budget execution report on note 7.

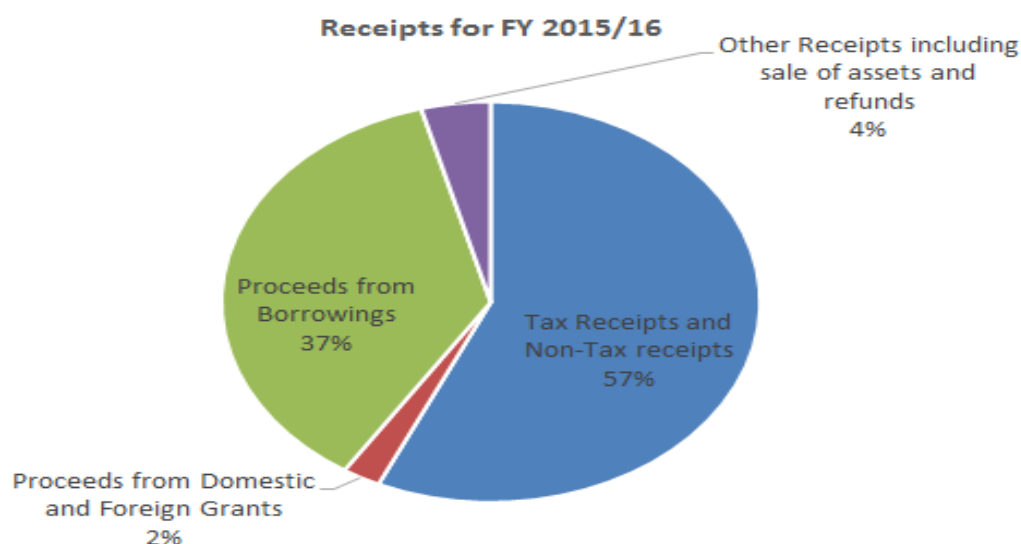
3.3 Receipts

Total receipts in FY 2015/2016 increased by 16% compared to 15% in the prior year. The consistent year on year growth is indicative of improvement in tax collection. This is also attributed to increased borrowing. For accounting purpose borrowing is considered as part of receipts.

Year ended 30 th June	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16
Breakdown of receipts	Kshs ‘Mn’	Kshs ‘Mn’	Kshs ‘Mn’	Kshs ‘Mn’
Tax Receipts and Non-Tax receipts	754,246	889,293	1,097,581	1,223,419
Proceeds from Domestic and Foreign Grants	112,145	87,803	47,976	45,052
Proceeds from Borrowings	383,274	478,360	619,945	795,724
Other Receipts including sale of assets and refunds	109,778	135,780	61,705	58,040
Total	1,359,443	1,591,236	1,827,207	2,122,234
% Change		17%	15%	16%



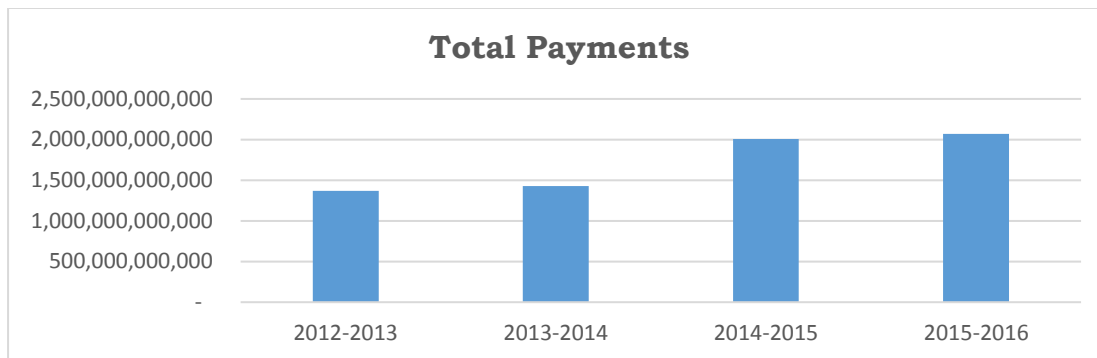
Tax revenue accounted for the bulk of receipts accounting for 57% as shown below:



Tax receipts increased during FY 2015/2016 as a result of improved collections of income taxes (14 per cent) and value-added tax (14 per cent).

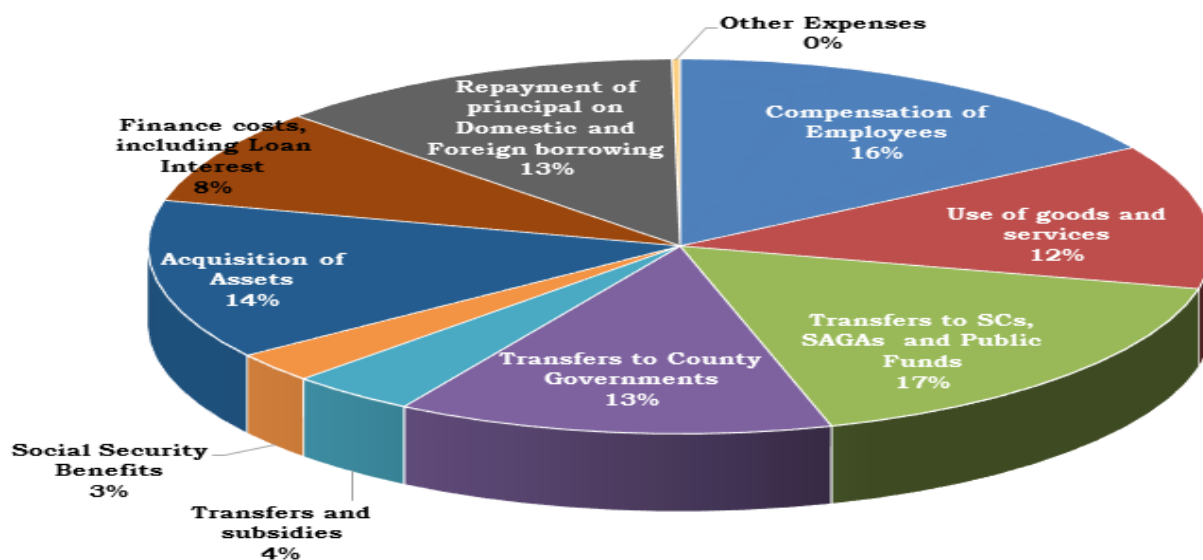
3.4 Payments

Total payments in FY 2015/2016 increased by 3% compared to 39% in FY 2014/2015 and 4% in FY 2013/2014. The significant rise in FY 2014/2015 was attributed to increase in repayment of debt accounting for 178% as a result of major external debt maturing during the year and marked rise in acquisition of assets accounting for 142%.



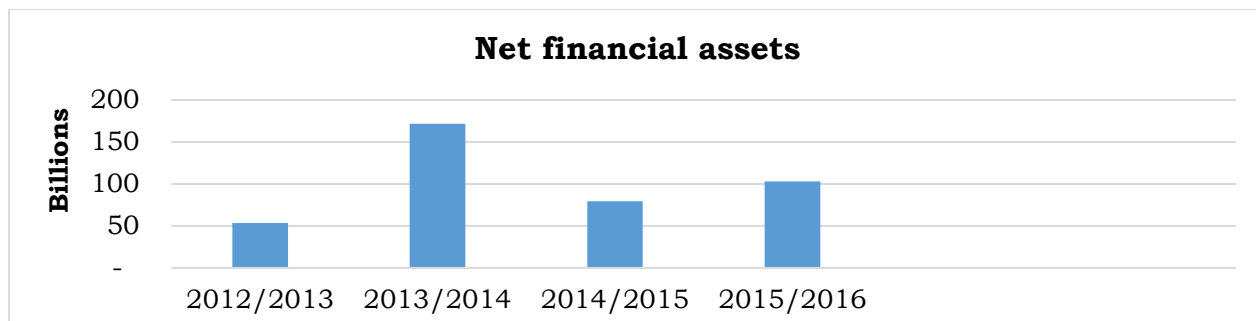
Year ended 30 th June	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16
Breakdown of payments	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'
Compensation of Employees	304,805	269,958	306,468	328,127
Use of goods and services	219,960	184,748	213,984	257,668
Transfers to SCs, SAGAs and Public Funds	309,441	321,323	330,024	333,775
Transfers to County Governments	-	193,285	229,336	268,260
Transfers and subsidies	44,899	42,807	84,519	78,042
Social Security Benefits	26,456	29,243	36,341	52,743
Acquisition of Assets	148,704	139,101	336,511	280,006
Finance costs, including Loan Interest	93,161	134,257	152,563	167,982
Repayment of principal on Domestic and Foreign borrowing	189,754	95,294	264,916	254,117
Other Payments	33,542	17,263	24,914	5,004
Total	1,370,722	1,427,279	1,979,577	2,025,723
<i>% Change</i>		<i>4%</i>	<i>38%</i>	<i>3%</i>

Payments for FY 2015/16



3.5 Summary of Financial Assets

Net financial assets in FY 2015/2016 increased by 30% compared to a reduction of 54% in FY 2014/2015 and 220% increase in FY 2013/2014. The significant rise in FY 2013/2014 was attributed to increased cash inflow from issuance of sovereign debt (Euro Bond).



Financial Assets and Liabilities	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'
Bank Balances	43,770	158,580	81,762	125,849
Cash Balances	9,103	2,980	164	340
Accounts Receivables - Outstanding Imprest and Clearence Accounts	692	9,984	72,113	17,457
Accounts Payables – Deposits	-	-	(75,851)	(42,667)
Net financial assets	53,566	171,544	78,188	100,979
% Change		220%	(54%)	30%

A change in accounting policy in FY 2014/2015 introduced accounts receivable and accounts payable to account for imprests and funds held on behalf of third parties (deposits) respectively.

3.6 Public Debt

Public debt comprising of both domestic and foreign stock increased by 27% during the FY 2015/2016 compared to 18% during the previous year. The following is a summary movement of the public debt over the past 4 years:

Year ended 30 th June	Actual	Actual	Actual	Actual
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'	Kshs 'Mn'
Domestic Debt	1,050,555	1,284,327	1,420,444	1,815,133
External Debt	800,025	1,093,284	1,379,319	1,735,667
Total Debt	1,850,580	2,377,611	2,799,763	3,550,800
% Change		28%	18%	27%

Government of Kenya
Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

4 Consolidated Statement of Receipts and Payments for the period ended 30th June 2016

		Financial Year	Financial Year
		2015/2016	2014/2015
	Notes	Kshs	Kshs
RECEIPTS			
Tax Receipts	9.3.1	1,113,163,261,874	996,059,082,899
Non tax receipts	9.3.2	110,255,602,270	101,521,938,523
Proceeds from external assistance in form of grants	9.3.3	45,051,597,812	47,976,256,479
Proceeds from Domestic Borrowings	9.3.4	489,882,190,962	283,561,118,392
Proceeds from Foreign Borrowings	9.3.5	305,841,576,740	336,383,696,385
Proceeds from Sale of Assets	9.3.6	21,290,979,965	23,061,532,004
Reimbursements and Refunds	9.3.7	5,038,848,677	4,476,440,561
Other Receipts	9.3.8	31,710,656,550	34,167,074,158
TOTAL RECEIPTS		2,122,234,714,850	1,827,207,139,401
PAYMENTS			
Compensation of Employees	9.3.9	328,126,639,395	306,467,815,304
Payment for goods and services	9.3.10	257,668,244,262	213,984,023,562
Transfers and Subsidies	9.3.11	416,038,201,477	414,532,774,293
Transfers to County Governments	9.3.12	264,038,639,996	229,347,388,406
Social Security Benefits	9.3.13	52,743,043,315	36,340,855,830
Acquisition of Assets	9.3.14	280,006,451,858	336,511,384,340
Payment of borrowing - Interest	9.3.15	167,981,600,191	152,563,251,115
Repayment of borrowing - Principal	9.3.16	254,116,511,320	264,915,611,494
Other Payments	9.3.17	5,020,779,171	24,913,768,666
TOTAL PAYMENTS		2,025,740,110,985	1,979,576,873,010
OPERATING BALANCE		96,494,603,865	(152,369,733,609)

The accompanying notes (including accounting policies) are an integral part of these statements.



Bernard Ndungu, MBS
Director General, Accounting Services & Quality Assurance
National Treasury
31st March 2017

5 Consolidated Statement of Selected Financial Assets and Liabilities as at 30th June 2016

		Financial Year	Financial Year
		2015/2016	2014/2015
	Notes	Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.3.18	125,849,228,362	81,761,812,157
Cash Balances	9.3.19	339,830,344	164,477,630
Total Cash and Cash Equivalents		126,189,058,707	81,926,289,787
Accounts Receivables - Outstanding Imprest and Clearance Accounts	9.3.20	17,456,868,434	72,112,887,503
TOTAL FINANCIAL ASSETS		143,645,927,140	154,039,177,290
LESS: FINANCIAL LIABILITIES			
Accounts Payables – Deposits	9.3.21	42,666,819,860	75,850,706,288
NET FINANCIAL ASSETS		100,979,107,280	78,188,471,002
REPRESENTED BY			
Fund balance brought forward	9.3.22	78,188,471,002	246,884,983,041
Operating balance for the year		96,494,603,865	(152,369,733,609)
Prior year adjustments	9.3.23	(74,391,058,959)	(16,192,414,772)
Accrual to cash adjustments	9.3.24	687,091,373	(134,363,658)
NET FINANCIAL POSITION		100,979,107,280	78,188,471,002

The accompanying notes (including accounting policies) are an integral part of these statements.

Bernard Ndungu, MBS
 Director General, Accounting Services & Quality Assurance
 National Treasury
 31st March 2017

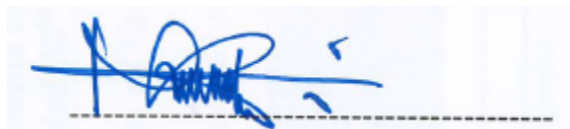
Government of Kenya
Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

6 Consolidated Statement of Cash Flows for the period ended 30th June 2016

		FY 2015/2016	FY 2014/2015
	Notes	Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating activities			
Tax Receipts	9.3.1	1,113,163,261,874	996,059,082,899
Non tax Receipts	9.3.2	110,255,602,270	101,521,938,523
Proceeds from external assistance in form of grants	9.3.3	45,051,597,812	47,976,256,479
Reimbursements and Refunds	9.3.7	5,038,848,677	4,476,440,561
Other Receipts	9.3.8	31,710,656,550	34,167,074,158
Total Receipts		1,305,219,967,183	1,184,200,792,620
Payments for operating payments			
Compensation of Employees	9.3.9	328,126,639,395	306,467,815,304
Payment for goods and services	9.3.10	257,668,244,262	213,984,023,562
Transfers to County Governments	9.3.11	264,038,639,996	229,336,237,197
Transfers and subsidies	9.3.12	416,038,201,477	414,532,774,293
Social Security Benefits	9.3.13	52,743,043,315	36,340,855,830
Payment of interest on borrowing	9.3.15	167,981,600,191	152,563,251,115
Other Payments	9.3.17	5,020,779,171	24,913,768,666
Total Payments		1,491,617,147,807	1,378,149,877,176
Adjusted for:			
Changes in receivables		54,656,019,069	(70,114,128,463)
Changes in payables		(33,183,886,428)	75,850,706,288
Adjustments for non-cash		687,091,373	(134,363,658)
Adjustments during the year		(74,391,058,959)	(16,192,414,772)
Net cash flow used in operating activities		(238,629,015,569)	(204,539,285,161)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	9.3.6	21,290,979,965	23,061,532,004
Acquisition of Assets	9.3.15	(280,006,451,858)	(336,511,384,340)
Net cash flows used in Investing Activities		(258,715,471,893)	(313,449,852,336)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Domestic Borrowings	9.3.4	489,882,190,962	283,561,118,392
Proceeds from Foreign Borrowings	9.3.5	305,841,576,740	336,383,696,385
Repayment of principal on Domestic and Foreign borrowing	9.3.16	(254,116,511,320)	(264,915,611,494)
Net cash flow from financing activities		541,607,256,382	355,029,203,283
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		44,262,768,920	(162,959,934,214)
Cash and cash equivalents at BEGINNING of the year	9.3.25	81,926,289,787	244,886,224,001
Cash and cash equivalents at END of the year	9.3.25	126,189,058,707	81,926,289,787

Government of Kenya
Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

The accompanying notes (including accounting policies) are an integral part of these statements.



Bernard Ndungu, MBS
Director General, Accounting Services & Quality Assurance
National Treasury
31st March 2017

Government of Kenya
Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

7 Budget Execution Report


Below is the budget performance for the year ended 30th June 2016.

Description	Original Budget	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	KShs	KShs	KShs	KShs	KShs
	a	b	c	d=c-b	e=c/b %
Receipts					
Tax and Non Tax Receipts (Ordinary Revenue)	1,254,867,030,000	1,188,945,356,471	1,223,418,864,144	(34,473,507,673)	103%
Domestic and Foreign Grants	72,905,610,000	76,143,280,000	45,051,597,812	31,091,682,188	59%
Proceeds from borrowings	776,296,620,000	877,394,410,000	795,723,767,702	81,670,642,298	91%
Other receipts (Appropriations-in-Aid)	108,179,480,508	111,011,050,000	58,040,485,192	52,970,564,808	52%
Total Receipts	2,212,248,740,508	2,253,494,096,471	2,122,234,714,850	131,259,381,621	94%
Payments					
Compensation of Employees	341,204,722,496	334,809,132,323	328,126,639,395	6,682,492,928	98%
Payment of Goods and Services	165,027,150,770	170,652,954,486	257,668,244,262	(87,015,289,776)	151%
Transfers and Subsidies	561,326,577,951	589,850,972,099	416,038,201,477	173,913,751,668	70%
Transfers to County Governments	264,218,980,000	264,218,980,000	264,038,639,996	180,340,004	100%
Social Security Benefits	69,370,163,459	82,107,163,459	52,743,043,315	29,364,120,144	64%
Acquisition of Assets	404,112,546,075	365,409,467,835	280,006,451,858	85,403,015,977	77%
Payment of borrowing - Interest	185,324,877,509	215,507,376,831	167,981,600,191	47,525,776,640	78%
Repayment of borrowing - Principal	212,655,308,223	222,896,683,223	254,116,511,320	(31,219,828,097)	114%
Other Payments	9,008,414,025	8,041,366,215	5,121,760,217	2,919,605,998	64%
Grand Total	2,212,248,740,508	2,253,494,096,471	2,025,740,110,985	227,753,985,486	90%

Government of Kenya
Consolidated Financial Statements for the National Government
For the Year Ended 30th June 2016

Notes:

- The original and revised estimates are based on approved budget as loaded in budget module of IFMIS. The actual outturn is based on un-audited financial statements submitted to National Treasury for consolidation purposes and in bound to change once the financial statements for all voted entities are audited.
- The changes between the original budget and final budget were as a result of reallocation and additional appropriations through supplementary budgets that were duly approved by parliament during the financial year ended 30th June 2016.



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8 Breakdown of Receipts and Payment by Cluster

The detailed components forming the consolidated financial statements are summarized below:

	The Consolidated Fund Statement	Ministries, Departments and Agencies	Development Projects	Twelve months ended 30 th June 2016	Twelve months ended 30 th June 2015
	Kshs	Kshs	Kshs	Kshs	Kshs
	Part 1: Appendix I	Part 1: Appendix II	Part 1: Appendix III	Consolidated	Consolidated
RECEIPTS					
Tax Receipts	1,113,163,261,874	-	-	1,113,163,261,874	996,059,082,899
Non tax Receipts	110,255,602,270	-	-	110,255,602,270	101,521,938,523
Proceeds from Domestic and Foreign Grants	7,392,418,489	19,587,630,227	18,071,549,096	45,051,597,812	47,976,256,479
Proceeds from Domestic Borrowings	489,882,190,962	-	-	489,882,190,962	304,475,443,037
Proceeds from Foreign Borrowings	185,384,653,663	102,127,174,742	18,329,748,335	305,841,576,740	336,383,696,385
Proceeds from Sale of Assets	-	21,290,979,965	-	21,290,979,965	23,061,532,004
Reimbursements and Refunds	-	4,989,537,405	49,311,272	5,038,848,677	4,476,440,561
Other Receipts	-	29,712,420,815	1,998,235,735	31,710,656,550	13,252,749,513
TOTAL RECEIPTS	1,906,078,127,258	177,707,743,154	38,448,844,438	2,122,234,714,850	1,827,207,139,401
NET INTER-ENTITY TRANSFERS	(1,523,710,986,099)	1,519,567,998,636	4,142,987,463	-	-
PAYMENTS					
Compensation of Employees	-	327,060,574,904	1,066,064,491	328,126,639,395	306,467,815,304
Use of goods and services	-	235,119,327,017	22,548,917,245	257,668,244,262	213,984,023,562
Subsidies	-	30,314,894,767	-	30,314,894,767	30,674,534,330

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	The Consolidated Fund Statement	Ministries, Departments and Agencies	Development Projects	Twelve months ended 30 th June 2016	Twelve months ended 30 th June 2015
	Kshs	Kshs	Kshs	Kshs	Kshs
	Part 1: Appendix I	Part 1: Appendix II	Part 1: Appendix III	Consolidated	Consolidated
Transfers to National Government entities – SAGAs	-	333,775,158,136	-	333,775,158,136	330,873,691,621
Transfers to County Governments	264,038,639,996	4,221,002,500	-	268,259,642,496	229,336,237,197
Other transfers and subsidies	31,232,157,037	12,243,656,198	4,251,332,839	47,727,146,074	52,984,548,342
Social Security Benefits	-	52,629,552,220	113,491,095	52,743,043,315	36,340,855,830
Acquisition of Assets	-	263,823,183,204	16,183,268,654	280,006,451,858	336,511,384,340
Finance Costs, including Loan Interest	-	167,981,600,191	-	167,981,600,191	152,563,251,115
Repayment of principal on Domestic and Foreign borrowing	-	254,116,511,320	-	254,116,511,320	264,915,611,494
Other Payments	-	4,904,996,918	115,782,253	5,020,779,171	24,913,768,666
TOTAL PAYMENTS	295,270,797,033	1,686,190,457,375	44,278,856,577	2,025,740,110,985	1,979,576,873,010
OPERATING BALANCE	87,096,344,126	11,085,284,415	(1,687,024,676)	96,494,603,865	(152,369,733,609)

The accompanying notes (including accounting policies) are an integral part of these statements.

Bernard Ndungu, MBS
Director General, Accounting Services & Quality Assurance
National Treasury
31st March 2017

9 Notes to the Consolidated Financial Statements

9.1 Basis of Preparation

9.1.1 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

9.1.2 Reporting entity

The financial statements are for the National Government of Kenya and the reporting entity if the Government of Kenya. The financial statements encompass the reporting entities within the Consolidated Fund; Ministries, Department and Agencies; and Development Projects that are controlled by the National Government. A list of these entities is shown under note 9.3.26.

9.1.3 Reporting currency

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

9.1.4 Basis of consolidation

This consolidation is based on unaudited financial statements submitted by the individual MDAs to the Auditor-General by 30th September 2016 with a copy to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation. A revised consolidation based on the audited financial statements will be prepared and submitted for audit purposes.

The financial statements are aggregated on a line by line basis with the inter-entity transactions of receipts and payment being eliminated at consolidation level to avoid overstatement of receipts or payments.

The entities' accounting policies have been adjusted to form a consistent basis, where their effect is deemed material to this consolidated financial statement. This is especially the case for the entities whose financial statements have been prepared on accrual-basis IPSAS.

9.1.5 Elimination

Material balances between entities included in this consolidation have been eliminated. This has been informed by the inter-entity elimination template that is completed by the entities and submitted to the National Treasury.

9.2 Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by all consolidated entities and for all the years presented.

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a. Recognition of receipts

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

- **Tax receipts**

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

- **Transfers from the Exchequer**

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

- **External Assistance**

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

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the MDAs or any other debt the State may take on will be treated on cash basis and recognized as revenue during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion.

External assistance FY 2015/2016	Loans	Grants	Total
	Kshs	Kshs	Kshs
Commitments for external assistance (revised estimates)	877,394,410,000	76,143,280,000	953,537,690,000
Remittances (Actuals)	795,723,767,702	45,051,597,812	840,775,365,514
Un-drawn external assistance as at 30th June	81,670,642,298	31,091,682,188	112,762,324,486

During the year ended 30th June 2016, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

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

b. Recognition of payments

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The Government recognises all payments when the event occurs and the related cash has actually been paid out by the Government.

- **Compensation of employees**
Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.
- **Use of goods and services**
Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.
- **Interest on borrowing**
Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.
- **Repayment of borrowing (principal amount)**
The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.
- **Acquisition of fixed assets**
The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

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

c. In-kind contributions

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

d. Third party payments

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

During the year Kshs 114 billion being loan disbursements were received in form of direct payments to third parties as indicated on note 9.3.5.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are

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readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2016, this amounted to Kshs 2 billion compared to Kshs 7 billion in prior period as indicated on note 9.3.17.

There were no other restrictions on cash during the year.

f. Accounts receivable

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

g. Accounts payable

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

h. Pending bills

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

i. Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The original budget was approved by parliament on June 2015 for the period 1st July 2015 to 30th June 2016 as required by Law and there were two supplementary adjustments to the original budget during the year.

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

The entities that are directly included in the printed estimates are the 55 voted entities that have been classified as Ministries, Departments and Agencies (MDAs) and listed on note 9.2.1 and 9.3.26. The Consolidated Fund for the bulk of the budgeted receipts. The Development Projects are budgetted for under the MDAs but receive budgetted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

j. Comparative figures

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

k. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2016.

l. Errors

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

During the year errors that have been corrected are disclosed under note 9.3.22 explaining the nature and amounts.

m. Related party transactions

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

9.2.1 Disclosure of entities included in consolidation

The National Government consolidated financial statements consist of a total of 153 entities consolidated for the financial year ended 30th June 2016 that are considered as budgetary entities. These are categorised as follows and details contained in note 9.3.26:

Type of institution	No. Of Entities consolidated
The Consolidated Fund Account	20
Ministries, Departments and Agencies	55
Development Projects	78
Total	153

9.2.2 Disclosure of entities excluded from consolidation

None of the entities eligible for consolidation under the National Government budgetary cluster for the year ended 30th June 2016 has been excluded from consolidation.

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9.3 Specific Notes

9.3.1 Tax receipts through Kenya Revenue Authority

This refers to tax receipts collected mainly by Kenya Revenue Authority and other government agencies.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Taxes on Income, Profits and Capital Gains	564,572,172,084	508,231,963,963
Taxes on Property	1,216,948,877	6,132,245
Taxes on Goods and Services	429,425,876,090	375,495,867,917
Taxes on International Trade and Transactions	104,819,796,814	100,919,028,862
Other Taxes (not elsewhere classified)	13,128,468,009	11,406,089,912
Total	1,113,163,261,874	996,059,082,899

9.3.2 Non Tax Receipts through receivers of revenue

This refers to receipts collected mainly by special funds and receivers of revenue and that is not directly related to taxation.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Railway Development Levy Fund	17,060,929,683	18,740,340,684
Roads Levy Fund	51,170,784,000	28,321,580,000
Fees on use of Goods/Services	13,666,650,584	11,917,693,542
Property Income	19,497,645,331	15,659,451,735
Fines Penalties and Forfeitures	1,470,152,225	1,458,971,729
Sale of Goods and Services	481,233,083	4,674,661,159
Receipts from public entities for on-lending and debts settled on behalf	4,989,579,074	4,464,933,318
Other Receipts	1,918,628,290	16,284,306,356
Total	110,255,602,270	101,521,938,523

9.3.3 Proceeds from external assistance in form of grants

These are grants received from development partners directly through the exchequer and through ministries and departments.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Grants Received from Bilateral Donors	32,188,173,024	29,440,390,894
Grants Received from Multilateral Donors	12,863,424,788	18,535,865,585
Total	45,051,597,812	47,976,256,479

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9.3.4 Proceeds from domestic borrowings

These comprise of receipts received from issuance of Treasury bill and bonds, commercial loans.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Treasury Bonds New issue	284,089,798,849	252,996,392,380
Treasury Bills Net Borrowing	205,792,392,113	30,564,726,012
Total	489,882,190,962	283,561,118,392

9.3.5 Proceeds from foreign borrowings

These comprise of receipts received from borrowing from bilateral, multilateral and commercial lending institutions.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Bilateral Borrowing	130,555,923,077	231,394,036,400
Multilateral Borrowing	40,353,452,846	31,184,463,270
Commercial Loans	134,932,200,817	73,805,196,715
Total	305,841,576,740	336,383,696,385

Development partners disburse the loans through direct payments to third parties or through cash disbursements. The following is a breakdown by type of disbursement:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Borrowing received through direct payments to third parties	113,531,633,133	196,555,021,143
Borrowings received in form of cash	192,309,943,607	139,828,675,242
Total	305,841,576,740	336,383,696,385

9.3.6 Proceeds from sale of assets

These comprise of proceeds from sale of fixed assets and inventories by budget agencies and proceeds from privatizations of government investments.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Receipts from the Sale of Vehicles and Transport Equipment	9,347,955	7,349,155
Receipts from the Sale Plant Machinery and Equipment	319,450	406,500
Receipts from sale of Certified Seeds and Breeding stock	2,898,722,888	2,329,002,269
Receipts from the Sale of Strategic Reserves Stocks	2,500,000,000	2,505,862,100
Receipts from the Sale of Inventories, Stocks and Commodities	15,882,589,672	18,216,933,430

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Description	FY 2015/16	FY 2014/15
	KShs	KShs
Disposal and Sales of Non-Produced Assets	-	1,978,550
Total	21,290,979,965	23,061,532,004

9.3.7 Reimbursements and refunds

These comprise of reimbursements and refunds that accrue to the entity within the financial year:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Reimbursement from World Bank – ECD	39,311,272	-
Reimbursement from Local Government Authorities	10,000,000	50,466,561
Reimbursement from Statutory Organizations	4,962,759,246	4,425,974,000
Reimbursement within National Government	26,778,159	-
Total	5,038,848,677	4,476,440,561

9.3.8 Other receipts

These comprise of other receipts including voluntary transfers other than grants, miscellaneous income and unidentified receipts.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Interest Received	36,765,729	41,303,805
Rents	504,801,768	397,290,363
Sales of Market Establishments	10,000	10,000
Receipts from Administrative Fees and Charges	3,418,970,614	435,831,802
Receipts from Administrative Fees and Charges - Collected as AIA	2,471,340,400	1,288,551,073
Receipts from Incidental Sales by Non-Market Establishments	996,843,239	199,000
Receipts from Sales by Non-Market Establishments	410,475,526	2,246,416,592
Receipts from Sale of Incidental Goods	2,763,100	67,000
Fines Penalties and Forfeitures	22,060,323	593,005
Receipts from Voluntary transfers other than grants	125,638,925	782,430,893
Other Receipts Not Classified Elsewhere	23,720,986,926	28,974,380,625
Total	31,710,656,550	34,167,074,158

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9.3.9 Compensation of Employees

These comprise of the remuneration payable to employees in return for the work done. In addition to wages and salaries, compensation of employees includes social contributions made by general government unit on behalf of its employees.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Basic salaries of permanent employees	188,466,075,795	181,894,041,939
Basic wages of temporary employees	20,250,929,711	13,510,241,586
Personal allowances paid as part of salary	108,292,521,556	98,893,051,630
Personal allowances paid as reimbursements	4,631,175,181	3,957,301,778
Personal allowances provided in kind	26,204,930	15,551,000
Pension and other social security contributions	1,002,248,162	957,924,246
Compulsory national social security schemes	77,192,021	64,831,296
Compulsory national health insurance schemes	4,522,935,049	6,119,675,910
Social benefit schemes outside government	258,220,218	177,192,000
Other personnel payments	599,136,772	878,003,919
Total	328,126,639,395	306,467,815,304

9.3.10 Payment of Goods and Services

These comprise to the total value of goods and services consumed by budget agencies.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Utilities, supplies and services	8,775,104,518	8,429,941,546
Communication, supplies and services	1,727,371,583	2,117,500,317
Domestic travel and subsistence	11,208,304,987	10,812,828,828
Foreign travel and subsistence	5,991,095,813	4,915,036,292
Printing, advertising and information supplies & services	2,589,960,222	1,770,579,697
Rentals of produced assets	11,782,753,093	7,141,001,246
Training expenses	8,633,123,450	6,422,732,262
Hospitality supplies and services	6,105,294,160	5,335,545,814
Insurance costs	6,147,916,814	4,162,018,227
Specialised materials and services	43,958,662,504	40,714,075,237
Office and general supplies and services	3,830,075,016	3,617,242,114
Routine maintenance – vehicles and other transport equipment	6,196,798,400	4,072,136,651
Fuel Oil and Lubricants	3,955,545,647	4,909,933,843
Routine maintenance – other assets	2,726,691,844	3,604,150,356
Subscription to International Organisations	22,197,132	180,325,088
Other operating payments	132,206,765,673	103,760,589,002
Total	257,668,244,262	213,984,023,562

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9.3.11 Transfers and subsidies

Grants and other transfer payments comprise of non-compulsory transfers made by budget agencies and include subsidies and transfers to government non-reporting entities as per below details:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Transfers to State Corporations and SAGAs	333,775,158,136	330,024,994,316
Subsidies to learning institutions	30,314,894,767	30,674,534,330
Transfers from Ministry of Health to County Governments	4,221,002,500	-
Other transfers and payments	47,727,146,074	53,844,396,856
Total	416,038,201,477	414,543,925,502

The transfers to State Corporations and SAGAs have been reconciled to the corresponding consolidated financial statements.

Transfers to learning institutions are transfers made by Ministry of Education to Primary and Secondary schools as subsidies towards free primary and secondary education. These are considered as expensed at the point of transfer.

Included in other transfers and payments are transfers to other non-reporting entities includes such as Technical and Vocational institutions and classified expenditure for security organs.

9.3.12 Transfers to County Governments

Transfers to County Governments are made in line with the County Revenue Allocation Act for 2015/2016 and reconcile to the consolidated financial statements of the County Governments.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Equitable Allocation	259,774,499,997	226,743,738,406
Level 5 Hospital Funds	3,600,479,999	1,870,000,000
DANIDA Health Funds	663,660,000	733,650,000
Total	264,038,639,996	229,347,388,406

9.3.13 Social security benefits

These are payments made towards settlement of pensions and to provide for needs arising from events such as sickness, housing and family circumstances.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Government pension and retirement benefits	52,575,251,776	36,262,494,468
Social security benefits in cash and in kind	167,791,539	78,361,362
Total	52,743,043,315	36,340,855,830

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9.3.14 Acquisition of Assets

These represent the payment made to acquire property plant and equipment purchased during the year which has been expensed during the year of purchase as per government accounting policy. The value of property plant and equipment purchased and expensed comprise of the following:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Non-Financial Assets		
Purchase of Buildings	720,516,000	826,014,524
Construction of Buildings	37,616,071,743	19,137,574,464
Refurbishment of Buildings	1,586,940,883	1,979,315,999
Construction of Roads	22,821,953,736	22,063,484,885
Construction and Civil Works	129,346,122,667	223,458,472,941
Overhaul and Refurbishment of Construction and Civil Works	891,375,058	3,056,565,336
Purchase of Vehicles and Other Transport Equipment	3,861,778,726	3,932,829,154
Overhaul of Vehicles and Other Transport Equipment	262,545,079	201,779,717
Purchase of Household Furniture and Institutional Equipment	73,092,781	149,147,282
Purchase of Office Furniture and General Equipment	1,856,207,833	1,930,724,316
Purchase of Specialised Plant, Equipment and Machinery	21,471,922,487	17,783,789,344
Rehabilitation and Renovation of Plant, Machinery and Equip.	295,128,628	308,381,374
Purchase of Certified Seeds, Breeding Stock and Live Animals	5,034,956,982	1,266,119,217
Research, Studies, Project Preparation, Design & Supervision	7,040,066,011	7,187,012,347
Rehabilitation of Civil Works	5,661,438,563	11,461,247,161
Acquisition of Strategic Stocks and commodities	47,490,097	385,464,620
Acquisition of Land	5,332,990,960	3,776,307,796
Acquisition of Intangible Assets	21,536,526	22,520,303
Purchase of ICT Equipment	396,750,033	706,353,420
Financial Assets		
Domestic Public Non-Financial Enterprises	22,764,262,311	2,431,570,085
Domestic Public Financial Institutions	9,153,000,000	12,638,500,000
Foreign financial Institutions operating Abroad	3,750,304,754	1,808,210,055
Total assets	280,006,451,858	336,511,384,340

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9.3.15 Payment of borrowing - Interest

These are costs incurred to service debts in form of interest paid in respect of external debts, overdrafts, treasury bills and bonds and other domestic borrowings.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Interest Payments on Foreign Borrowings	42,312,030,206	33,329,506,952
Interest on Domestic Borrowings	124,779,531,719	118,292,973,547
Interest on Pre-1997 CBK debt	793,952,431	825,106,135
Interest Payments on Guaranteed Debt Taken over by Government	96,085,835	115,664,481
Total	167,981,600,191	152,563,251,115

9.3.16 Repayment of borrowings - Principal

These represent the amount paid to settle the principal on loans advanced to government.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Repayments on Domestic Borrowings	217,014,996,152	182,692,800,000
Repayments on Pre 1997 CBK debt	1,110,000,000	1,110,000,000
Repayment of Foreign Borrowings	35,037,392,390	80,213,525,854
Repayments on Guaranteed Debt Taken over by Government	954,122,778	899,285,640
Total	254,116,511,320	264,915,611,494

9.3.17 Other Payments

These include all expenses transactions not elsewhere classified. This includes scholarships and education benefits as well as miscellaneous expenses.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Miscellaneous payments	4,899,018,954	23,649,890,340
Other payments	121,760,217	1,263,878,326
Total	5,020,779,171	24,913,768,666

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9.3.18 Bank balances

These comprise of cash book bank and cash balances and short term deposits as at 30th June 2016 and comparatives for financial year to 30th June 2015 represented by bank balances;

Description	FY 2015/16	FY 2014/15
	KShs	KShs
CBK Recurrent Account	102,823,932,143	59,045,485,809
CBK Deposit Account	2,016,763,791	6,976,151,199
CBK Development Account	8,225,727,789	968,222,600
Bank balances in Commercial Bank Accounts	12,782,804,640	14,771,952,549
Total	125,849,228,362	81,761,812,157

The bank balances are further analysed by the type of entities included in consolidation as follows:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Consolidated Fund	99,970,451,395	-17,943,437,901
Ministries, Departments and Agencies	18,512,298,142	89,203,093,218
Development Projects	7,366,478,824	10,502,156,840
Total	125,849,228,362	81,761,812,157

9.3.19 Cash balances

These comprise of cashbook cash balances as at 30th June 2016 and comparatives for financial year to 30th June 2015 represented by cash balances held by the institutions;

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Cash in Hand – Held in domestic currency	277,963,998	141,992,906
Cash in Hand – Held in foreign currency	61,866,326	22,484,724
Total	339,830,324	164,477,630

9.3.20 Accounts receivables

These comprise of imprest, district returns, clearance accounts not yet retired, and salary advances as at 30th June 2016 and comparatives for financial year to 30th June 2015.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Government Imprests	2,203,253,473	5,719,547,393
Salary Advances	47,822,309	75,022,284
District returns not yet surrendered	10,502,301,131	5,046,598,651
Clearance accounts	4,703,491,521	61,271,719,175
Total	17,456,868,434	72,112,887,503

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9.3.21 Accounts payable

These comprise of third party funds held in form of deposits and comparatives for prior financial year;

Description of deposits	FY 2015/16	FY 2014/15
	KShs	KShs
Owed to third parties relating to contracts	42,666,819,860	75,850,706,288
Total	42,666,819,860	75,850,706,288

9.3.22 Balance brought forward

The opening balance for FY 2015/2016 and FY 2014/2015 is made up as follows:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Bank Accounts	81,761,812,157	150,107,936,546
Cash in hand	164,477,630	119,526,361
Receivables- Outstanding imprests	72,112,887,503	103,065,494,279
Payables- Deposits	(75,850,706,288)	(6,407,974,145)
Total	78,188,471,002	246,884,983,041

9.3.23 Prior Year Adjustments

These comprise of adjustments resulting from last year which have been made during the year ended 30th June 2016 which details are as following:

Description of error	FY 2015/16	FY 2014/15
	KShs	KShs
Adjustments on bank accounts balances	20,257,929,991	(21,656,001,950)
Adjustments on cash in hand	(51,098,660)	(720)
Adjustments on receivables- Outstanding imprests	(94,599,064,802)	(1,997,190,180)
Adjustments on payables- Deposits	1,174,512	7,460,778,078
Total	(74,391,058,959)	(16,192,414,772)

The prior year adjustments for FY 2015/2016 relate mainly to journals made in the current year in the books of CFS Public Debt (KShs 91,364,460,886) and CFS Salaries and Allowances (KShs 8,883,205,334) to write off exchequer provisions that were erroneously accrued under receivables in the FY 2014/15.

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9.3.24 Accrual to Cash Adjustments

These are adjustments made on accrual financial statements to cash reporting. The adjustments include depreciation charge, inventory, receivables, and payables which are not reported under the cash basis of accounting.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Depreciation	1,167,124,217	1,539,834,078
Inventory	2,341,842	(1,699,453)
Receivables	4,406,150,081	(18,680,493)
Payables	(4,888,524,767)	(1,653,817,790)
Total	687,091,373	(134,363,658)

9.3.25 Cash and cash equivalent at the beginning and end of year

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Description	BEGINNING	END
	KShs	KShs
Bank Balances	81,761,812,157	125,849,228,362
Cash Balances	164,477,630	339,830,324
Total	81,926,289,787	126,189,058,686

9.3.26 List of consolidated entities

1.1 List of Consolidated Fund

- 1) The Exchequer account;
- 2) The treasury bonds and treasury bills accounts;
- 3) The overdraft account;
- 4) The revenue collection accounts;
- 5) Special project deposit accounts;
- 6) The Petroleum Development Levy;
- 7) The Railway Development Fund; and
- 8) The Road Maintenance Fund.

Receivers of Revenue Statements

- 9) Principal Secretary to the National Treasury – Taxes;
- 10) Principal Secretary to the National Treasury – Resource Mobilization Department;
- 11) Principal Secretary to the National Treasury – Debt;
- 12) Principal Secretary to the National Treasury – Pension;
- 13) Principal Secretary to the Ministry of Land, Housing and Urban Development;
- 14) Principal Secretary to the Ministry of Information, Communication and Technology;
- 15) Solicitor General, Office of the Attorney General and Department of Justice;
- 16) Principal Secretary to the State Department of Interior;
- 17) Principal Secretary to the State Department for Co-ordination of National Government;
- 18) State Law Office, Chief Registrar - The Judiciary;

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- 19) Principal Secretary to the State Department for Fisheries; and
- 20) Principal Secretary to the State Department for Commerce and Tourism.

1.2 List of Ministries, Departments and Agencies

- 1) The Presidency
- 2) State Department of Interior
- 3) State Department for Coordination of National Government
- 4) State Department of Planning
- 5) State Department for Devolution
- 6) Ministry of Defense
- 7) Ministry of Foreign Affairs and International Trade
- 8) State Department for Education
- 9) State Department for Science & Technology
- 10) The National Treasury
- 11) Ministry of Health
- 12) State Department of Infrastructure
- 13) State Department of Transport
- 14) State Department for Environment and Natural Resources
- 15) State Department for Water & Regional Authorities
- 16) Ministry of Land, Housing and Urban Development
- 17) Ministry of Information, Communication and Technology
- 18) Ministry of Sports, Culture and Arts
- 19) Ministry of Labor, Social Security and Services
- 20) Ministry of Energy and Petroleum
- 21) State Department for Agriculture
- 22) State Department for Livestock
- 23) State Department for Fisheries
- 24) Ministry of Industrialization and Enterprise Development
- 25) State Department of Commerce and Tourism
- 26) State Department of East African Affairs
- 27) Ministry of Mining
- 28) Office of the Attorney General and Department of Justice
- 29) The Judiciary
- 30) Ethics and Anti-Corruption Commission
- 31) National Intelligence Service
- 32) Director of Public Prosecutions
- 33) Commission for the Implementation of the Constitution
- 34) Registrar of Political Parties
- 35) Witness Protection Agency
- 36) Kenya National Commission on Human Rights
- 37) National Land Commission
- 38) Independent Electoral and Boundaries Commission
- 39) Parliamentary Service Commission
- 40) National Assembly

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- 41) Judicial Service Commission
- 42) Commission on Revenue Allocation
- 43) Public Service Commission
- 44) Salaries and Remuneration Commission
- 45) Teachers Service Commission
- 46) National Police Service Commission
- 47) Office of Auditor General
- 48) Controller of Budget
- 49) The Commission on Administrative Justice
- 50) National Gender and Equality Commission
- 51) Independent Police Oversight Authority
- 52) Share Subscription and Capital Contribution to International Organizations.
- 53) Public Debt
- 54) Pension and Gratuities
- 55) Salaries, Allowances and Miscellaneous Services

1.3 List of Development Projects

- 1) Community Empowerment & Institutional Support Project
- 2) Kenya Youth Empowerment Project
- 3) Kenya Electricity Expansion Project Credit No. 4743 KE
- 4) Institutional Strengthening of Ozone Depleting Substances Project
- 5) 501066 Lake Victoria Environment Management Project (LVEMP Phase 11)
- 6) Kenya Water Security & Climate Resilience Project
- 7) Kenya Italy Debt For Development
- 8) Kimira Oluch Small Holder Farm Improvement Project – Loan No: 2100150012296
- 9) Kimira Oluch Small Holder Farm Improvement Project – Grant No: 2100155007220
- 10) Northern Corridor Transport Improvement Project
- 11) East Africa Trade And Transport Facilitation Project (MOT Component)
- 12) Kenya Transport Sector Support Project
- 13) National Urban Transport Improvement Project
- 14) East Africa Trade And Transport Facilitation Project (MOT/KRC Component)
- 15) National Urban Transport Improvement Project
- 16) Kenya Transport Sector Support Project
- 17) Kenya Cereal Enhancement Programme (KCEP)
- 18) Kenya Agricultural Productivity & Sustainable Land Management Project
- 19) Mainstreaming Sustainable Land Management (SLM) In Agro Pastoral Production
- 20) SHDP Small-Scale Horticulture Development Project
- 21) Drought Resilience And Sustainable Livelihood Programme In Horn Of Africa
- 22) Eastern African Agriculture productivity Project (EAAPP)
- 23) Regional Pastoral Livelihood Resilience Project
- 24) Kenya Agricultural Productivity& Agribusiness Project (KAPAP)
- 25) Smallholders Dairy Commercialization Programme
- 26) Smallholders Horticulture Marketing Programme
- 27) Kenya Adaptation To Climate Change In Arid And Semi-Arid

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- 28) GOK/UNICEF Education and Young People Programme
- 29) Food Assistance to Primary and Pre-Primary Schools in Semi-Arid Areas and Disadvantaged Urban Children Project
- 30) Support for Technical, Industrial, Vocational and Entrepreneurship Training (Tivet) Project
- 31) Support to enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) Project
- 32) Global Fund - Expanding HIV Prevention, Care and Treatment Services
- 33) Nairobi Metropolitan Services Improvement Project
- 34) Korogocho Slum Upgrading Program
- 35) Kenya Municipal Program
- 36) East Africa Public Health Laboratories Networking Project
- 37) Global Fund HIV AIDS Single Stream Funding
- 38) Global Fund Malaria Round 10
- 39) Kenya Health Support Project (EMMS/KEMSA Component)
- 40) Global Fund Single Stream Funding Tuberculosis Round 5
- 41) Kenya Health Sector Support Project – SWAP Secretariat
- 42) Kenya Health Sector Programme Support III
- 43) Technical Support Programme
- 44) Micro Finance Sector Support Credit Project
- 45) Public Finance Management Reform (PFMR)
- 46) Infrastructure Finance And Public Private Partnerships (IFPPP) Project
- 47) Global Fund - Scaling up Malaria Control Interventions for Impact
- 48) Global Fund - TB MDG
- 49) Kenya Informal Settlement Improvement Project
- 50) Output Based Approach
- 51) Reproductive Health - Output Based Approach- RH-OBA
- 52) Western Kenya Community Driven & Flood Mitigation Project
- 53) Medium Term ASAL Programme (MTAP)
- 54) Kenya Italy for Development Program
- 55) Agricultural Sector development Support
- 56) Kenya Petroleum Technical Assistance Project
- 57) Thwake Multipurpose Water Development Program
- 58) Strengthening Fertiliser Quality and Regulatory Standards in Kenya
- 59) Kenya Petroleum Technical Assistance (KEPTAP) Project
- 60) Programme For Rural Outreach Of Financial Innovations And Technologies
- 61) Standards and Market Access Programme (SMAP)
- 62) Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Programme Grant No TF097272
- 63) Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Programme Credit No 4553 – KE
- 64) Study and Capacity Building Fund
- 65) Reproductive Health for Entire Country Project
- 66) GAVI Health Systems Strengthening Project

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- 67) Upper Tana Natural Resources Management Project
- 68) Project on Enhancing Gender Responsive Extension Services in Kenya
- 69) Rice-Based Market-Oriented Agriculture Promotion Project
- 70) Health Sector Support Project (Component 1)
- 71) Kenya Primary Education Development Project
- 72) Mercury Initial Actions for Kenya
- 73) East Africa's Centre of Excellence
- 74) System for Land Based Emissions Estimation in Kenya
- 75) Financial Sector Support project
- 76) Support for Responsible Land Governance and Natural Resources in Communal Lands of Kenya Project
- 77) Kenya Electricity Modernization Project
- 78) Kenya Petroleum Technical Assistance Project (KEPTAP)

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10 Important Disclosures

10.1 Property Plant and Equipment

The schedule of fixed assets is provided for purposes of disclosure since the financial statements are prepared on cash basis.

The fixed assets schedule is extracted from the asset registers maintained by Ministries, Department and Agencies and reported as annexures to the annual financial statements. The Government intends to develop asset management policies that will guide public entities on classification, valuation (so as reflect the current value of assets), tagging and verification of assets.

The following is a summary of the fixed assets for National Government as at 30th June 2016.

Description	FY 2015/2016	FY 2014/2015
	KShs	KShs
Asset class		
Land	710,726,392	646,780,634
Buildings and structures	70,842,295,282	5,668,975,601
Transport equipment	2,598,709,228	2,549,555,612
Office equipment, furniture and fittings	1,444,746,777	895,119,547
ICT Equipment, Software and Other ICT Assets	3,272,075,838	3,567,594,225
Other Machinery and Equipment	132,697,728,870	97,717,867,149
Heritage and cultural assets	104,543,042	34,181,948
Intangible assets	3,899,107,868	2,772,457,377
Other Assets	36,258,118,930	9,530,076,325
Total	251,828,052,226	123,382,608,418

There was an increase of KShs 128,445,443,808 in the fixed assets reported as at 30th June 2016. This increase was attributed to increase in buildings and structures and financial assets. There was an improvement in the number of MDAs that disclosed their fixed assets however not all MDAs disclosed the fixed asset register.

10.2 Pending Bills

The schedule of pending bills is provided for purposes of disclosure since the financial statements are prepared on cash basis. These comprise of unpaid bills that MDAs had incurred as a result of contracted goods and services as at the end of the FY 2015/2016 as follows:

Description of pending bills	FY 2015/2016	FY 2014/2015
	KShs	KShs
Goods and Services	45,126,894,469	24,173,890,678
Pending staff payables	53,449,714	225,418,943
Inter-Government bills	4,093,833,119	1,421,652,224
Total	49,274,177,302	25,820,961,845

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10.3 Pension Liability

The pension arrangements for government of Kenya employees are mainly defined benefit schemes. The schemes are unfunded and non-contributory and paid out of the budget on a pay-as-you-go basis.

An actuarial study on the Public Service Superannuation Arrangement (PSSA), was commissioned by Salaries and Remuneration Commission (SRC) and finalized in June 2014. The study showed that if the stream of future pension payments were discounted for anticipated future returns on assets, the resultant pension liability in respect of Public Service employees is estimated at KShs 991.9 billion. This would be the estimated sum required if the current PSSA were to be fully funded.

However, the government desires to transit from the current defined benefit to a defined contribution through implementation of Public Service Superannuation Scheme Act, 2012. This will ease the pension burden on the exchequer thus freeing public funds for other critical national priorities while at the same time ensuring that the pension budget remains sustainable.

The pension liability is not accrued in the financial statements as they are prepared on cash basis.

Nb: This information is derived from the report on the Actuarial Valuation as at 30 June 2013 and Actuarial Costing of Discretionary Pension Increases commissioned by Salaries and Remuneration Commission (SRC).

10.4 Public Debt

The schedule of public debt is provided for purposes of disclosure since the financial statements are prepared on cash basis.

10.4.1 Stock of Public Debt

The following is a summary of the public debt as at 30th June 2016.

Category	30-Jun-16	30-Jun-15
	Kshs	Kshs
Domestic Debt	1,815,133,755,672	1,420,443,638,937
Treasury Bills	588,087,700,000	318,928,150,000
Treasury bonds	1,152,041,171,560	1,035,662,081,123
CBK loan-Pre- 1997 loan	25,558,755,686	26,675,755,686
Overdraft	44,203,669,036	36,494,183,368
Others	5,242,459,390	2,683,468,760
External Debt	1,735,666,630,921	1,379,318,677,583
Multilateral	794,797,467,126	680,191,947,725
Bilateral	491,863,883,153	405,561,843,232
Suppliers Credit	16,628,000,000	16,628,212,432
Commercial banks	154,346,230,642	5,678,324,194
International Sovereign Bond	278,031,050,000	271,258,350,000
Grand Total	3,550,800,386,593	2,799,762,316,520

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10.4.2 Publicly Guaranteed Debt

Publicly guaranteed debt, refers to the debt owed by National Government public entities and County Governments to both foreign and local creditors but guaranteed by national government.

Total outstanding Government guaranteed debt increased by Ksh 16,597 million to Ksh 60,530 million by 30th June 2016 from Ksh 43,933 million by 30th June 2015. This increase is mainly attributed to disbursements of Ksh. 8,170 million and Ksh 6,243 million from Germany and Japan for projects under KenGen and Kenya Ports Authority respectively as well as exchange differences on existing loans.

Agency	Creditor	As at 30 th June 2016	As at 30 th June 2015
		Kshs million	Kshs million
Kenya Broadcasting Corporation	Japan	2,224,000,000	2,404,000,000
Telkom Kenya Ltd	Canada	-	375,000,000
Tana and Athi River Development Authority (TARDA)	Japan	1,156,000,000	1,172,000,000
East African Portland Cement	Japan	1,438,000,000	1,457,000,000
KenGen Ltd	Japan and Germany	29,571,000,000	18,230,000,000
Kenya Ports Authority	Japan	22,099,000,000	15,856,000,000
Kenya Railways	IDA	4,044,000,000	4,439,000,000
Total		60,530,000,000	43,933,000,000

During the FY 2015/2016, Government paid Ksh 1,050 million as called up guaranteed debts owed by public enterprises who were in financial distress. These payments related to loans borrowed by Tana and Athi River Development Authority (TARDA) and Kenya Broadcasting Corporation (KBC) and whose payments are summarised below:

	Principal	Interest	Total for period ended 30 th June 2016	Total for period ended 30 th June 2015
	Kshs	Kshs	Kshs	Kshs
TARRDA	265,176,300	31,571,108	296,747,408	272,718,310
KBC	688,946,479	64,516,526	753,463,005	663,517,142
Nairobi City Council	-	-	-	78,714,669
Total	954,122,778	96,087,635	1,050,210,413	1,014,950,121

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10.5 Investments

Investments represent the Government of Kenya investment in local and foreign entities. They are recognised at nominal value and where denominated in foreign currency, these are translated at closing exchange rate as at 30th June.

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Investment in local entities	21,516,444,098	21,511,131,523
Investment in foreign entities	111,514,234,768	113,703,384,516
Total	133,030,678,866	135,214,516,039

Detailed breakdown of these investments are provided under the consolidated financial statements of the State Corporation and Semi-Autonomous Government Agencies and Public Funds.

10.6 Waivers and variances of taxes

Section 80 (e) of the PFM Act, 2012, requires the National Treasury to include a statement of any waivers under article 210 of the Constitution in the consolidated financial statements.

Waivers for the period ended 30th June 2016 amounted to Kshs 10 billion as summarized below:

Category	30-Jun-16
	Kshs
VAT foregone	9,496,641,395
Waiver or write off of VAT	1,174,771,336
Grand Total	10,671,412,731

The National Treasury prepares and submits to the Auditor General an annual report of waivers explaining the reasons for each waiver.

10.7 Related party disclosure

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

The following comprised of related parties:

- Key management personnel that include Cabinet Secretaries and Accounting Officers;
- Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

The following related party transactions are disclosed:

- Inter-entity transfers between budgetary entities;

Transfers between Consolidated Fund, MDAs and Development Projects are a common feature and have been eliminated on consolidation.

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- Transfers between County Governments and MDAs and Consolidated Fund;

County Government constitutes one of the two layers of Government and are entitled for annual allocation of budget as per County Revenue Allocation Act. The following amounts were disbursed to County Governments:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Transfers to from the Exchequer	264,038,639,996	229,347,388,406
Transfer from MDAs	4,221,002,500	-
TOTAL	268,259,642,496	229,347,388,406

- State Corporations and Semi-Autonomous Government Agencies and Public Funds;

State Corporations and Semi-Autonomous Government Entities and Public Funds may receive allocations from MDAs to supplement their budget. State Corporations and SAGAs may also receive subsidies through MDAs. These are disclosed below:

Description	FY 2015/16	FY 2014/15
	KShs	KShs
Transfers from the Consolidated Fund to SC, SAGAs and Public Funds	333,775,158,136	330,024,994,316
Subsidies to Public Corporations	30,314,894,767	30,674,534,330
TOTAL	364,090,052,903	360,699,528,646

These entities may also have exchange transactions. These have not been eliminated and shall be subject to disclosure in future.

- Compensation of key management personnel;

Key management personnel include constitutional office holders, Cabinet Secretaries and Accounting Officers because they have authority and responsibility for planning, directing and controlling the activities of the Government, directly or indirectly. The compensation paid to them in form of salaries shall be subject to disclosure in future.

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Appendix I:
Consolidated financial statements
The Consolidated Fund
For The Year Ended 30th June 2016

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Appendix II:
Consolidated Financial Statements
Ministries, Departments and Agencies
For The Year Ended 30th June 2016

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Appendix III:
Consolidated Financial Statements
State Corporations and Semi-Autonomous Government
Agencies And Public Funds
For The Year Ended 30th June 2016

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Appendix IV:
Consolidated Financial Statements
County Governments
For The Year Ended 30th June 2016

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Appendix V:
Public Debt Report
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