*Draft for Public Engagement*

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**THE NATIONAL TREASURY**

**PUBLIC DEBT**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED**

**30TH JUNE 20XX**

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method Under International Public Sector Accounting Standards (IPSAS)**

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**Table of Contents Page**

[1. Acronyms and Definition of Key Terms ii](#_Toc155880121)

[2. Key MDA Information and Management iii](#_Toc155880122)

[3. Profile of Cabinet Secretary/Commissioners/Speaker/Chief Justice vi](#_Toc155880123)

[4. Profile of Accounting Officer and Key Management. vii](#_Toc155880124)

[*5.* Statement by the Cabinet Secretary /Chair of the Commission/Speaker/Chief Justice viii](#_Toc155880125)

[6. Statement by the Accounting Officer ix](#_Toc155880126)

[7. Statement of Performance Against Predetermined Objectives for FY20xx/xx x](#_Toc155880127)

[8. Governance Statement xii](#_Toc155880128)

[9. Management Discussion and Analysis xiii](#_Toc155880129)

[10. Environmental and Sustainability Reporting xiv](#_Toc155880130)

[11. Statement of Management Responsibilities xv](#_Toc155880131)

[12. Report of the Independent Auditor for the (*Specify MDA Name*) xvii](#_Toc155880132)

[13. Statement of Financial Performance for the year ended 30 June 20xx 1](#_Toc155880133)

[14 Statement of Financial Position as at 30 June 20xx 2](#_Toc155880134)

[15 Statement of Changes in Net Assets for the year ended 30 June 20xx 4](#_Toc155880135)

[16. Statement of Cash Flows for the year ended 30 June 20xx 5](#_Toc155880136)

[17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 20xx 6](#_Toc155880137)

[18. Notes to the Financial Statements 8](#_Toc155880138)

[19. Appendix 34](#_Toc155880139)

# Acronyms and Definition of Key Terms

**A: Acronyms and Abbreviations**

*CS Cabinet Secretary*

*PS Principal Secretary*

*CBK Central Bank of Kenya*

*ICPAK Institute of Certified Public Accountants of Kenya*

*IPSAS International Public Sector Accounting Standards*

*OCOB Office of the Controller of Budget*

*OAG Office of the Auditor General*

*OSHA Occupational Safety and Health Act of 2007*

*PFM Public Finance Management*

*PPE Property Plant & Equipment*

*PSASB Public Sector Accounting Standards Board*

*SAGAs Semi-Autonomous Government Agencies*

*SC State Corporations*

*TNT The National Treasury*

*WB World Bank*

**B: Definition of Key Terms**

**Fiduciary Management**- Members of management directly entrusted with the responsibility of financial resources of the organisation.

*(This list is an indication of the common acronyms and abbreviations; the Public Debt should include all from the annual report and financial statements prepared)*

# Key Information and Management

1. **Background information**

The *Public Debt* was established under the xxx (insert the establishing instrument such as the Constitution and or Act of Parliament and the Executive order.) The *Public Debt* is domiciled in Kenya and has branches/offices in xxx, xxx (list them).

1. **Mandate**

*(Public Debt to indicate its mandate/principal activities and their vision, mission and core values).*

1. **Key Management**

The *Public Debt* day-to-day management is under the following Key organs/Offices/ Directorates/Divisions

* *Principal Secretary*
* *Directorate*
* *Departments*

*(Public Debt to list the key organs without providing names of the office holders)*

1. **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 20XX and who had direct fiduciary responsibility were:

| **No** | **Designation** | **Name** |
| --- | --- | --- |
| 1 | Accounting Officer |  |
| 2 | Xx |  |
| 3 | Xx |  |
| 4. | Xx |  |
| 5. | Xx |  |

*(Where there have been changes in management, the PUBLIC DEBT to indicate so)*

1. **Fiduciary Oversight Arrangements**

*Provide a high-level description of the key fiduciary oversight arrangements covering (e.g.):*

* *Audit committee activities*
* *Public Finance Management Committee*
* *Senior Management Committees*
* *Budget Implementation Committee*
* *Parliamentary Committees*
* *Others (specify)*

1. ***Entity* Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

Nairobi, Kenya

1. ***Entity Contacts***

Telephone: (254) XXXXXXXX

E-mail: xxxx@xxx.com

Website: [xxx.go.ke](http://www.go.ke)

1. ***Entity Bankers***
2. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**Nairobi, Kenya**

1. **Other Banks** *(state other bankers as appropriate)*
2. **Independent Auditor**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

1. **Principal Legal Adviser**

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# Profile of Cabinet Secretary

|  |
| --- |
| **Cabinet Secretary** |
| Insert a passport-size photo, name, key professional/academic qualifications, and work experience for each person |

# Profile of Accounting Officer and Key Management.

|  |
| --- |
| **Accounting Officer and Key Management** |
| *Passport size photo, Name, Key Academic/Professional qualifications, designation and area of responsibility* |

# Statement by the Cabinet Secretary

# *(Customize the title above according to your Public Debt)*

*-Under this section, give a brief highlight of the key issues affecting the Public Debt during the year, strategies and policies being implemented to deal with the issues and any other general cross cutting issues related to the Public Debt.*

***-****Insert a photo of the CS*

***………………………………………….***

***Cabinet Secretary***

# Statement by the Accounting Officer

*Under this section, the Accounting Officer gives a report which highlights the key activities during the year, consolidated successes and challenges faced in carrying out the activities of the Public Debt. The Accounting officer may also mention at a high level the financial performance of the Public Debt.*

*Consider having the photo of the accounting officer.*

*……………………*

***Accounting Officer***

# Statement of Performance Against Predetermined Objectives for FY20xx/xx

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer presents a statement of performance against predetermined objectives of the entity.

The key strategic objectives as per the *Public Debt* strategic plan for FY xx- FY xx *(state the period of the strategic plan)* are to:

1. xxxx (for example “Section 62 of the PFM Act)
2. xxxx
3. xxxx
4. xxxx

Expenditure in the FY XX should be geared toward the realization of the aforementioned strategic objectives as captured in the Strategic plan for FY XX to XX. Linked to these objectives are specific programmes, outcomes and outputs and performance indicators. The implemented programmes should be tabulated against actual achievements in the format presented in the table below, on programme performance, to demonstrate the progress towards achievement of the predetermined objectives.

***Table xx1: Programme performance***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Strategic Objective** | **Outcome** | **Output** | **Output indicator** | **Achievement for the FY** | | | **Cumulative Achievement by end of FY** | | | **Remarks** |
| **Target** | **Actual** | **Variance** | **Target** | **Actual** | **Variance** |
| Timely Settlement of Debt  **(this is an example)** | Settlement of debt within as per PFM regulations | **Settled outstanding debt** |  | No. of loans settled | 20 | 10 | 10 | 30 | 15 | 15 | Outstanding debts serviced within the stipulated timelines |
| XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XXX | XXX | XXX | XXX |

# Governance Statement

**(**Two to three pages)

*This may include:*

1. *A brief on the key leadership/governance structure of the* ***Public Debt.***
2. *The audit committee and any other management committees (Their formation, roles, composition, and activities/meetings held).*
3. *Risk management policies within the* ***Public Debt***
4. *Report on recent training and development on governance for those in key leadership.*
5. *Public participation activities*
6. *Compliance with laws and regulations, among others.*

# Management Discussion and Analysis

**(**Two- three pages)

*Under this section, the management gives a report on the operational and financial performance of the* ***Public Debt*** *for the last three- five years as per the guidance below.*

* *Public Debt key Programs/projects or investment decisions implemented or ongoing,*
* *Public Debt compliance with statutory requirements.*
* *Major risks facing the organisation.*
* *Material arrears in statutory and other financial obligations.*
* *Review of the economy and sector.*
* *Future developments*
* *Any other information considered relevant to the users of the financial statements.*

*(The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)*

# Environmental and Sustainability Reporting

**(Two-to-three pages)**

1. **Sustainability strategy and profile**

*The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failures.*

1. **Environmental performance /climate change/ mitigation of natural disasters**

*Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation’s products.*

1. **Employee welfare**

*Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal, and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).*

1. **Operational practices**

*The organisation should outline its efforts towards:*

*Responsible Supply chain and supplier relations (explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.)*

1. **Community Engagements**-

*The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, water, and sanitation initiatives etc.)*

*Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community*

# Statement of Management Responsibilities

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

The *Accounting Officer*is responsible for preparation and presentation of the ***Public Debt*** financial statements, which give a true and fair view of the state of affairs of the ***Public Debt*** for and as at the end of the financial year (period) ended on June 30, 20xx. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the ***Public Debt*** , (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the ***Public Debt*** ; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The *Accounting Officer* accepts responsibility for the ***Public Debt*** financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the ***Public Debt*** financial statements give a true and fair view of the state of ***Public Debt*** transactions during the financial year ended June 30, 20xx, and the financial position as at that date. The *Accounting Officer* further confirms the completeness of the accounting records maintained for the ***Public Debt***, which have been relied upon in the preparation of the financial statements as well as the adequacy of the system of internal controls.

*The Accounting Officer* confirms that the ***Public Debt*** financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The ***Public Debt*** financial statements were approved on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20xx and signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Public Debt Settlement** |
|  |  | **ICPAK M/No………….** |

*(****Public Debt*** *to maintain the signature of the Accounting Officer)*

# Report of the Independent Auditor for *Public Debt*

# Statement of Financial Performance for the year ended 30 June 20xx

|  | **Notes** | ***Insert Current FY*** |
| --- | --- | --- |
|  |  | **Kshs** |
| **Revenue** **from** **non-exchange** **transactions** |  |  |
| Transfers from Exchequer | 5 | xxx |
| **Total Revenues** |  | xxx |
|  |  |  |
| **Expenses** |  |  |
| Finance costs | 6 | xxx |
| Other fees | 7 | xxx |
| **Total** **expenses** |  | xxx |
| **Other gains and losses** |  |  |
| Exchange gain/(loss) | 8 | xxx |
| **Surplus/Deficit for the year** |  | xxx |
| **Net Surplus/Deficit** |  | xxx |

The Financial Statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Accounting Unit/Head of Finance** |
|  |  | **ICPAK M/No………….** |

*(paragraph 79 of IPSAS 33 allows for the election by an Public Debt to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position****,*** *and an opening statement of financial pos****ition*** *at the time of adoption of the accrual basis of accounting. In preparing th****is*** *financial reporting template, this election has been made****;*** *therefore****,*** *there are no comparatives in the first year of transition.)*

# Statement of Financial Position as at 30 June 20xx

|  | **Notes** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Assets** |  |  |  |
| Cash and Cash equivalents | 9 | xxx | xxx |
| On- lent loans receivable | 10 | xxx | xxx |
| On- grant loans receivable from National Treasury | 11 | xxx | xxx |
| Development policy operations receivable from NT | 12 | xxx | xxx |
| Other Receivables from Non-Exchange Transactions | 13 | xxx | xxx |
| **Total** **Assets (a)** |  | xxx | xxx |
|  |  |  |  |
| **Current** **Liabilities** |  |  |  |
| Current Portion of Borrowings (Public Debt) | 14a | xxx | xxx |
| **Total Current Liabilities** |  | xxx | xxx |
|  |  |  |  |
| **Non-Current** **Liabilities** |  |  |  |
| Non-Current Portion of Borrowings (Public Debt) | 14b | xxx | xxx |
| **Total Non- Current Liabilities** |  | xxx | xxx |
| **Total** **Liabilities (b)** |  | xxx | xxx |
|  |  |  |  |
| **Net** **Assets (a-b)** |  |  |  |
| Reserves |  | xxx | xxx |
| Accumulated Surplus |  | xxx | xxx |
| **Net Assets** |  | xxx | xxx |

The financial statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Accounting Officer** |  | **Head of Accounting Unit** |
|  |  | **ICPAK M/No………….** |

# Statement of Changes in Net Assets for the year ended 30 June 20xx

|  | **Accumulated Surplus** | **Reserves** | **Total** |
| --- | --- | --- | --- |
| **balance b/f as at 30th June 2024** | **xx** | **xx** | **xx** |
| **Adjustment:**  Recognition of Assets and Liabilities | **xx** | **xx** | **xx** |
| **Opening statement of financial**  **Position As at July 1, 2025** | **xx** | **xx** | **xx** |
| Surplus/ deficit for the year | xxx/(xxx) |  | xxx/(xxx) |
| **Balance c/d as at June 30, 20xx** | **xx** | **xx** | **xx** |

*Note:*

1. *For items that are not common in the financial statements, the Public Debt should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*
3. *Entities have liberty to add additional reserves as appropriate. For all reserves presented provide the nature and purpose.*

# Statement of Cash Flows for the year ended 30 June 20xx

| **Description** |  | ***Insert Current FY*** |
| --- | --- | --- |
|  | **Notes** | **Kshs** |
| **Cash** **flows** **from** **operating** **activities** |  |  |
| **Receipts** |  |  |
| Transfers from exchequer |  | xxx |
| **Total receipts** |  | xxx |
| **Payments** |  |  |
| Finance Costs |  | xxx |
| Other fees |  | xxx |
| **Total payments** |  | xxx |
| **Net** **cash** **flows** **from/(used in)** **operating** **activities** | 15 | xxx |
|  |  |  |
| **Cash** **flows** **from** **financing** **activities** |  |  |
| Receipts from exchequer |  | xxx |
| Return to Exchequer |  | xxx |
| Repayment of borrowings |  | (xxx) |
| **Net cash flows from financing Activities** |  | xxx |
|  |  |  |
| **Net** **increase/(decrease)** **in** **cash** &  **Cash equivalents** |  | xxx |
| Cash and cash equivalents at 1 July |  | xxx |
| **Cash** **and** **cash** **equivalents** **at** **30 June** |  | xxx |

*(PSASB has prescribed the use of the direct method for cashflow preparation)*

# Statement of Comparison of Budget and Actual amounts for the year ended 30 June 20xx

| **Description** | **Original budget** | **Adjustments** | **Final budget** | **Actual on a comparable basis** | **Budget utilization difference** | **% of utilization** |
| --- | --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C=a+b** | **D** | **E=c-d** | **F=d/c %** |
| **Receipts** |  |  |  |  |  |  |
| Transfers from exchequer | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total revenue** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |  |  |
| **Payments** |  |  |  |  |  |  |
| Finance Costs | xxx | xxx | xxx | xxx | xxx | xxx |
| Other Fees | xxx | xxx | xxx | xxx | xxx | xxx |
| Repayment of borrowings | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total expenses** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Surplus/ deficit** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**Reconciliation table**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Operating** | **Financing** | **Investing** | **total** |
| Actual amounts on comparable basis presented in the budget and actual comparative statement | xx | xx | xx | xx |
| Basis difference | xx | xx | xx | Xx |
| Timing differences | xx | xx | xx | xx |
| Entity differences | xx | xx | xx | xx |
| Classification differences | xx | xx | xx | xx |
| Actual in the statement of cashflows | xx | xx | xx | xx |

***Budget Notes***

*Provide an explanation of differences between actual and budgeted amounts for significant under/ overutilization IPSAS 24.14*

*Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*

*Where the total of actual on a comparable basis does not tie to the statement of cashflows due to differences in accounting basis, classification, Entity , and timing differences, provide a reconciliation.*

# Notes to the Financial Statements

1. **Establishment**

*The Public Debt Management Office* is established by and derives its authority and accountability from PFM Act, 2012 Section 62 (1) and Executive Order No xxx. *The Public Debt* *Management Office* is wholly owned by the Government of Kenya and is domiciled in Kenya. The *Public Debt Management Office*’s principal activity is xxx.

1. **Statement of Compliance and Basis of Reporting**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *Entity’s* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

*The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS) or the entity has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/ are transitional financial statements (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).*

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Entity*. The accounting policies adopted have been consistently applied to all the years presented.

1. **Adoption of New and Revised Standards**
2. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2025*.**

There were no new and amended standards issued in the financial year.

1. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025****.*

|  |  |
| --- | --- |
| **Standard** | **Effective date and impact:** |
| IPSAS 43:  Leases | ***Applicable 1st January 2025***  The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.  The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 44:  Non- Current Assets Held for Sale and Discontinued Operations | ***Applicable 1st January 2025***  The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 45: Property Plant and Equipment | ***Applicable 1st January 2025***  The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 46:  Measurement | ***Applicable 1st January 2025***  The objective of this standard was to improve measurement guidance across IPSAS by:   1. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. 2. Clarifying transaction costs guidance to enhance consistency across IPSAS. 3. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.   The standard also introduces a public sector specific measurement bases called the current operational value.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 47:  Revenue | ***Applicable 1st January 2026***  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 48: Transfer Expenses | ***Applicable 1st January 2026***  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 49: Retirement Benefit Plans | ***Applicable 1st January 2026***  The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 50:  Exploration For & Evaluation of Mineral Resources | ***Applicable 1st January 2027***  The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:   1. Limited improvements to existing accounting practices for exploration and evaluation expenditures. 2. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. 3. Disclosures that identify and explain the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.   ***State the expected impact of the standard to the Entity if relevant*** |

1. ***Early adoption of standards***

The Public Debt did not early – adopt any new or amended standards in the financial year.

1. **Summary of Significant Accounting Policies**
2. **Revenue recognition**
3. **Revenue from non-exchange transactions**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Public Debt* and can be measured reliably.

1. **Budget information**

The original budget for FY 20xx/xx was approved by the National Assembly on *xxxx*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the *Public Debt* upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *Public Debt* recorded additional appropriations of *xxxx* on the 20xx/xx budget following the governing body’s approval. The *Public Debt’s* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section *xxx* of these financial statements.

1. **Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Public Debt does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the entity’s financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one *entity* and a financial liability or equity instrument of another *entity*. At initial recognition, the *Public Debt* measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1. **Financial assets**

**Classification of financial assets**

The *Public Debt Unit* classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the *Public Debt’s* management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the *Public Debt* has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the *Public Debt* classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Receivables**

Receivables are recognized at fair value.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the *Public Debt* manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

1. **Financial liabilities**

**Classification**

The *Public Debt* classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through surplus and deficit. Public debt is recognized upon receipt of the funds.

1. **Contingent liabilities**

The *Public Debt* does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1. **Contingent assets**

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

1. **Nature and purpose of reserves**

The Public Debt creates and maintains reserves in terms of specific requirements. (*Public Debt to state the reserves maintained and appropriate policies adopted.)*

1. **Changes in accounting policies and estimates**

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

1. **Foreign currency transactions**

Foreign currency transactions are accounted for at the ruling rate of exchange on the transaction date. Debt stock denominated in foreign currency is accounted for in Kenya shillings by applying the exchange rate on the reporting date.

1. **Related parties**

A related party is regarded as a person or entity with the ability to exert control individually or jointly or to exercise significant influence over the *Public Debt management office* or vice versa. Members of key management are regarded as related parties and comprise t*he Accounting Officer, the directors, and senior managers. (Public Debt to amend accordingly)*

1. **Cash and cash equivalents**

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

1. **Comparative figures**

In preparing these financial statements, the *Public debt* has elected to apply paragraph 79 of IPSAS 33, which allows Public Debt to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position and related notes as at the time of first-time adoption of the accrual basis of accounting.

1. **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

**Notes to the Financial Statements (Continued)**

Transfers from Exchequer

|  |  |  |  |
| --- | --- | --- | --- |
| **Nature of transfer** | **Amount recognized to Statement of Financial performance** | **Amount to offset Principal Borrowings** | **Total transfers** |
| **Period ended 20xx** |
| **Kshs** | **Kshs** | **Kshs** |
| Transfers From Exchequer | xxx | xxx | xxx |
| **Total** | xxx | xxx | xxx |

**/**

## Finance Costs

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Interest Payments on Foreign Borrowings | xxx |
| Interest on Domestic Borrowings | xxx |
| Interest on Transfers to Other Government Entities | xxx |
| Interest on Bank Overdrafts | xxx |
| Accrued interest from foreign loans | xxx |
| Accrued interest from domestic loans | xxx |
| **Total** **finance** **costs** | xxx |

## Other Fees

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Loan Commitment fees | xxx |
| Loan insurance costs | xxx |
| Front end fees | xxx |
| Negotiation fees | xxx |
| Management fees | xxx |
| Listing fees | xxx |
| Activity Fees | xxx |
| Other Costs (specify) | xxx |
| **Total Other Fees** | xxx |

**Notes to the Financial Statements (Continued)**

## Foreign exchange gains/ losses

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Foreign exchange gain/ (loss) on USD denominated loans | (xxx)/xxx |
| Foreign exchange gain/ (loss) on EURO denominated loans | (xxx)/xxx |
| Foreign exchange gain/ (loss) on other currency denominated loans (specify) | (xxx)/xxx |
| **Total foreign exchange rates/(losses)** | **xxx** |

## Cash and Cash Equivalents

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | **Opening statement** |
| **1st July 20XX** |
|  | **Kshs** | **Kshs** |
| Recurrent Account | xxx | xxx |
| Domestic redemption Account | xxx | xxx |
| **Total** | xxx | xxx |

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

**9** (a) Detailed Analysis of the Cash and Cash Equivalents

| **Financial Institution** | **Account number** | ***Insert Current FY*** | ***Opening statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
| **Kshs** | **Kshs** |
| CBK - Public Debt | xxx | xxx | xxx |
| CBK- Treasury Bond Redemption | xxx | xxx | xxx |
| CBK – Treasury Bond Interest | xxx | xxx | xxx |
| **Others (Specify)** |  | xxx | xxx |
| **Sub- Total** |  | **xxx** | **xxx** |
| **Grand Total** |  | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

## On -Lent Loans Receivable

These are loans/ debt contracted by the Government of Kenya through the National Treasury and on – lent to other public sector entities to implement development projects. The National Treasury enters into subsidiary agreements requiring these entities to repay these loans which are then repaid to the lender by the National Treasury. As at the end of the period, the following was the position of the on- lent loans.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the entity** | **Opening balance as at 1st July xx** | **Additional disbursements during the year** | **Repayments during the year** | **Balance as at 30th June 20xx** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

An amount of Kshs xxxx from on- lent loans was yet to be received by the National Treasury from public sector entities. (***include measures that NT is making to ensure the loans are repaid including refinancing and restructuring).***

## On-grant loan receivable from the National Treasury

This relates to loans that are contracted by the Government of Kenya through the National Treasury. Once contracted, they are granted to other public sector entities for the implementation of development projects based on approved budgets. The National Treasury through the Public debt department vote R50 is obligated to repay these loans to the lenders as they fall due. For the repayments to be made, the National Treasury transfers funds from the exchequer account to the vote R50 on public debt to settle both principal and interest as they fall due. Any outstanding loans under this category are then considered receivables from the National Treasury. As at the end of the period, the following was the position of the on- grant loans:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the entity** | **Opening balance as at 1st July xx** | **Additional disbursements during the year** | **Repayments during the year** | **Balance as at 30th June 20xx** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Notes to the Financial Statements (Continued)**

## Development policy operations receivable from the National Treasury

These relates to loans that are contracted by the Government of Kenya through the National Treasury. Once contracted, they are granted to other public sector entities as budgetary support in line with approved budgets. The National Treasury through the Public debt department vote R50 is obligated to repay these loans to the lenders as they fall due. For the repayments to be made, the National Treasury transfers funds from the exchequer account to the vote R50 on public debt to settle both principal and interest as they fall due. Any outstanding loans under this category are then considered receivables from the National Treasury. As at the end of the period, the following was the position loans disbursed to entities as budgetary support:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the entity** | **Opening balance as at 1st July xx** | **Additional disbursements during the year** | **Repayments during the year** | **Balance as at 30th June 20xx** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

In the year 2025/2026, public debt will receive Kshs xxx from the National Treasury to settle debts.

## Other Receivables from Non-Exchange Transactions

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
| **Kshs** | **Kshs** |
| Pending transfers from exchequer | xxx | xxx |
| Others (specify) | xxx | xxx |
| **Total** **receivables from non- exchange transactions** | xxx | xxx |

**Notes to the Financial Statements (Continued)**

## Borrowings

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | **Opening Statement 1st July 20XX** |
|  | **Kshs** | **Kshs** |
| **i)    External borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| Add: External borrowings drawn down during the year | xxx | xxx |
| Less: Repayments of during the year | xxx | xxx |
| Exchange rate gain/losses on foreign borrowing | xxx | xxx |
| Add: Accrued interest on foreign borrowings | xxx | xxx |
| Other Economic Flows (Specify) | xxx | xxx |
| *Refinancing* | xxx | xxx |
| *Restructuring* | xxx | xxx |
| *Liabilities arising from guaranteed debt* | xxx | xxx |
| *Other movements to debt stock (specify)* | xxx | xxx |
| **Balance at end of the year** | xxx | xxx |
|  |  |  |
| **ii)    Domestic borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| Add: Domestic borrowings during the year | xxx | xxx |
| Less: Repayments during the year | xxx | xxx |
| Exchange rate gain/losses on (IMF Loan On-Lent to GoK) | xxx | xxx |
| Add: Accrued interest on domestic borrowings | xxx | xxx |
| Other Economic Flows (Specify) | xxx | xxx |
| *Maturing T-bills re-financed* | xxx | xxx |
| *Restructuring* | xxx | xxx |
| *Other movements to debt stock (specify* | xxx | xxx |
| **Balance at end of the year** | xxx | xxx |
| **Balance at end of the period- domestic and External borrowings c = a+b** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

### 14 (a) Current Portion of Borrowings (Public Debt)

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | **Opening Statement 1st July 20XX** |
|  | **Kshs** | **Kshs** |
| Short Term Borrowings (Current Portion) | xxx | xxx |
| **Total** | xxx | xxx |

### 14 (b) Non-Current Portion of Borrowings (Public Debt)

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | **Opening Statement 1st July 20XX** |
|  | **Kshs** | **Kshs** |
| Long Term Borrowings (Non-current Portion) | xxx | xxx |
| **Total** | xxx | xxx |

**Notes to the Financial Statements (Continued)**

**14c) Classification of the loans**

1. **Domestic Debt**

| **Category** | **Description** | **Opening Balance (KES Billion)** | **Disbursements ( (KES Billion)** | **Repayments (KES Billion)** | **Refinancing (KES Billion)** | **Other Adjustments (KES Billion)** | **Closing Balance (KES Billion)** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Government Bonds** | Long-term debt securities issued domestically (e.g., infrastructure bonds) | xxx | xxx | xxx | xxx | xxx | xxx |
| **Treasury Bills** | Short-term debt instruments issued by the government | xxx | xxx | xxx | xxx | xxx | xxx |
| **Central Bank Borrowing** | Monetary Authority/Pre-1997 Govt. O.D. Debt CBK | xxx | xxx | xxx | xxx | xxx | xxx |
| **Central Bank Borrowing** | Transfer of the 2021 IMF SDR Allocation For Kenya | xxx | xxx | xxx | xxx | xxx | xxx |
| **Central Bank Borrowing** | Overdraft CBK | xxx | xxx | xxx | xxx | xxx | xxx |
| **Loans from Domestic Banks** | Loans from local commercial banks and financial institutions | xxx | xxx | xxx | xxx | xxx | xxx |
| **Other Domestic Debt** | Any other domestic debt obligations | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total Domestic Debt** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

1. **Foreign Debt**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Category** | **Description** | **Opening Balance (KES)** | **Disbursements (KES)** | **Repayments (KES)** | **Restructuring (KES)** | **Other Adjustments (KES)** | **Closing Balance (KES)** |
| **Multilateral Debt** | Debt owed to international organizations (e.g., IMF, World Bank, AfDB) | xxx | xxx | xxx | xxx | xxx | xxx |
| **Bilateral Debt** | Debt owed to foreign governments (e.g., China, Japan, France) | xxx | xxx | xxx | xxx | xxx | xxx |
| **Commercial Loans** | Loans from foreign commercial banks and financial institutions | xxx | xxx | xxx | xxx | xxx | xxx |
| **International Sovereign Bonds** | Eurobonds and other debt securities issued in international markets | xxx | xxx | xxx | xxx | xxx | xxx |
| **Other External Debt** | Any other external debt obligations | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total External Debt** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

## 14(d) Contracted Debt

## As at the end of the year, the Government of Kenya had contracted debt worth Kshs xxxx. Out of this Kshs xxx had been drawn down and comprises of the total debt stock as shown on note 14. The Government recognises debt once drawn down and not when contracted.

## 14(e) Guaranteed loans

The Government of Kenya guarantees loans contracted to public sector entities by lenders in line with existing laws and regulations. These National Treasury assesses these guarantees in a regular basis to ensure that unpaid amounts that would create a liability are recognised in te debt stock and where a contingent liability arises, these are disclosed in the financial statements. As at the end of the reporting period the following debt had been guaranteed to the public sector.

|  |  |  |
| --- | --- | --- |
| **Entity Guaranteed** | ***Insert Current FY*** | ***Opening Statement 1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Entity A | xxx | xxx |
| Entity B | xxx | xxx |
| **Total guaranteed debts** | xxx | xxx |

During the year an amount of Kshs xxx relating to unhonored loans guaranteed by the Government was recognised as debt stock. These loans relates to guarantees given to xx, xx and xx. An amount of Kshs xxx is now recognised as a contingent liability and will be assessed over time for provisions to be made.

**14(f) Future commitments to repay debt**

As at 30th June 20xx, the Government of Kenya has the following future commitments to settle principal and interest on borrowings in the next 12 months.

|  |  |  |  |
| --- | --- | --- | --- |
| **Financier/Lender** | ***Loan Principle*** | ***Laon interest*** | ***Total*** |
|  | **Kshs** | **Kshs** |  |
| Entity A | xxx | xxx | xxx |
| Entity B | xxx | xxx | xxx |
| **Total commitments** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

## Cash Generated from Operations

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Surplus for the year** | **xxx** |
| **Adjusted for:** |  |
| Increase /decrease in public debt/Payables | xxx |
| Increase/ decrease in non- exchange receivables | xxx |
| Others specify |  |
| **Net cash flow from operating activities** | xxx |

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

## Financial Risk Management

The *Public debt’*s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The *Public debt*’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. *The Public debt does not hedge any risks and has in place policies to ensure that credit is only extended by credible institutions.(amend as appropriate).*

The *Public debt* ’s financial risk management objectives and policies are detailed below:

* 1. **Credit risk**

The *Public debt* has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and on-lent loans. Management assesses the credit quality of each public sector entities to whom money is on- lent, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the the National Treasury. The National Treasury through the Public Debt Office makes policy decisions on restructuring and recovery of long outstanding on- lent loans.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total amount** | **Fully performing** | **Past due** | **Impaired** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at at July 20xx** |  |  |  |  |
| On- lent loans | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Cash and Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the Public Debt’s statement of financial position)*

* 1. **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the *National Treasury’s management* who have built an appropriate liquidity risk management framework for the management of the *Public Debt*’s short, medium and long-term funding and liquidity management requirements. The *Public Debt* manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Public Debt under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|  | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** | **Total** |
| --- | --- | --- | --- | --- |
| **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |  |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

* 1. **Market risk**

The National Treasury has put in place an internal audit function to assist it in assessing the risk faced by the Public Debt on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, and foreign exchange rates which will affect the Public Debt ’s value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Public Debt ’s Finance Department is responsible for the development of detailed risk management policies (and for the day-to-day implementation of those policies. There has been no change to the Public Debt ’s exposure to market risks or the way it manages and measures the risk.

1. **Foreign currency risk**

The *Public Debt* has transactional currency exposures. Such exposure arises through repayment of loans denominated in foreign currency and the conversion of debt stock in local currency at each reporting period. The *Public Debt*  manages foreign exchange risk form future commercial transactions and recognised liabilities by projecting for expected sales proceeds and matching the same with expected payments

The carrying amount of the *Public Debt ’s* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**FY 20xx**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **In Kshs** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **As At 30 June 20xx** |  |  |  |
| **Financial Assets** |  |  |  |
| Cash | xxx | xxx | xxx |
| On lent loans | xxx | xxx | xxx |
| Receivables from non- exchange transactions | xxx | xxx | xxx |
| **Total Financial Assets** | **xxx** | **xxx** | **xxx** |
| **Financial Liabilities** |  |  |  |
| Borrowings | xxx | xxx | xxx |
| **Total Financial Liabilities** | **xxx** | **xxx** | **xxx** |
| **Net Foreign Currency Asset/(Liability)** | **xxx** | **xxx** | **xxx** |

**Notes to the Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

**FY 20xx**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **In Kshs** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **As At 30 June 20xx** |  |  |  |
| **Financial Assets** |  |  |  |
| Cash | xxx | xxx | xxx |
| On lent loans | xxx | xxx | xxx |
| Receivables from non- exchange transactions | xxx | xxx | xxx |
| **Total Financial Assets** | **xxx** | **xxx** | **xxx** |
| **Financial Liabilities** |  |  |  |
| Borrowings | xxx | xxx | xxx |
| **Total Financial Liabilities** | xxx | xxx | xxx |
| **Net Foreign Currency Asset/(Liability)** | **xxx** | **xxx** | **xxx** |

The following table demonstrates the effect on the Public Debt ’s statement of financial performance when applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Change in**  **currency rate** | **Effect on Profit**  **before tax** | **Effect on**  **Equity/Net assets** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **20xx** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |
| Other (specify) | 10% | xxx | xxx |

1. **Interest rate risk**

Interest rate risk is the risk that the Public Debt ’s financial condition may be adversely affected as a result of changes in interest rate levels. The Public Debt ’s interest rate risk arises public debt stock. The interest rate risk exposure arises mainly from interest rate movements on the Public Debt.

**Notes to the Financial Statements (Continued)**

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to negotiate loans at favourable interest rates and terms including moratorium on loans *(entity to expound on management activities).*

**Sensitivity analysis**

The Public Debt analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (20XX: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus/deficit of Kshs xxx (20XX – Kshs xxx)

**iv)** **Capital Risk Management**

The objective of the *Public debt* ’s capital risk management is to safeguard the *Public debt*’s ability to continue as a going concern. The *Public debt* capital structure comprises of the following funds:

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| Total Borrowings | xxx |
| Less: Cash And Bank Balances | (xxx) |
| Net Debt/(Excess Cash And Cash Equivalents) | xxx |
| **Gearing** | xx% |

**Notes to the Financial Statements (Continued)**

**18 Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *PUBLIC DEBT*  include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include *CS, PS, Director generals and directors.*

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Public debt*, holding 100% of the *Public debt’s* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Public debt* , both domestic and external.

**Other related parties include:**

1. The Parent Ministry.
2. Other MDAs
3. Parliament
4. Attorney General
5. Controller of Budget
6. CBK
7. Development partners
8. Key management.

**Notes to the Financial Statements (Continued)**

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Transactions with related parties** |  |
|  |  |
| Exchequer transfers | xxx |
| Loan advances to other government entities | xxx |
| Loan repayments by other government entities | xxx |
|  |  |
| **Balances due from related parties** |  |
| On – lent loans | xxx |
| Guaranteed loans | xxx |

## Contingent Assets and Contingent Liabilities

**Contingent Assets**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Assets** |  |
| Receivables From Contracted Loans (Undisbursed Loans) | xxx |
| Others (Specify) | xxx |
| **Total** | xxx |

*(Give details)*

**Contingent Liabilities**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Liabilities** | xxx |
| Court Case xx against the *Public Debt* | xxx |
| Guaranteed loans | xxx |
| **Total** | **xxx** |

*(Give details)*

## Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period**.**

**Notes to the Financial Statements (Continued)**

## Ultimate And Holding Public Debt

The *Public Debt* ultimate parent is the Government of Kenya.

## Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

## Appendix

**Appendix 1: Implementation Status of Auditor-General’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| **Reference No. on the external audit Report** | **Issue / Observations from Auditor** | **Management comments** | **Status:**  ***(Resolved / Not Resolved)*** | **Timeframe:**  ***(Put a date when you expect the issue to be resolved)*** |
| --- | --- | --- | --- | --- |
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***Guidance Notes:***

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your *Public Debt* responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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| --- |
| ……………………………………… |
| Accounting Officer |
| Date |