REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

Telegraphic Address: 22921
Finance – Nairobi
FAX NO. 310833
Telephone: 2252299
When Replying, Please Quote

THE NATIONAL TREASURY
P O BOX 30007 - 00100
NAIROBI

Ref: **AG.3/64 Vol. IV (31)**

Date: **30th October, 2025**

FCPA Nancy Gathungu, CBS
The Auditor-General
Office of the Auditor General
P. O. Box 30084
NAIROBI

Dear Nancy

SUBMISSION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF KENYA FOR THE FINANCIAL YEAR 2024/2025

Reference is made to 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 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, 2025.

In compliance with this statutory requirement, I have the pleasure of presenting to you a set of consolidated financial statements for the financial year 2024/2025. This is the eleventh (11th) set of annual consolidated financial statements prepared for the Government of Kenya and is part of the broader PFM reforms aimed at improving transparency and accountability of public funds.

You may recall that on 7th March, 2024, the Cabinet approved the transition from cash to accrual accounting for the National Government, County Governments, and their respective entities. Subsequently, the transition to accrual accounting was gazetted vide Gazette Notice Number 11033, dated 30th August 2024. The Cabinet Secretary of the National Treasury and Economic Planning appointed a National Steering Committee to coordinate the transition process, which was also gazetted vide Gazette Notice Number 10892, dated 30th August, 2024.

The National Steering Committee approved a three-year Transition Roadmap as follows:

Year	Financial Year	Financial Statements
0	FY 2023/2024 1st July 2024	Audited IPSAS cash-based financial statements Opening Statement of Financial Position
1	FY 2024/2025- 30th June 2025	The first transitional IPSAS accrual financial statements include **financial assets and financial liabilities**. Financial assets include cash and cash equivalents, receivables, and prepayments, while financial liabilities include payables (commonly referred to as pending bills) and third-party deposits. This is mandatory for the FY 2024/2025 financial statements. Entities that will have identified some or all other assets and liabilities may include them in the first transitional IPSAS accrual Statement of Financial Position and disclose the same.
2	FY 2025/2026- 30th June 2026	The second transitional IPSAS accrual financial statements will include all **financial assets and financial liabilities, and all inventories**, as a minimum. Entities that have identified all or some of the non-financial assets and other liabilities can include them in the balance sheet and make relevant disclosures.
3	FY 2026/2027- 30th June 2027	Fully compliant IPSAS Accrual financial statements that include **all assets and all liabilities**. All exceptions will have been exhausted, and each public entity must comply with all applicable IPSAS.

The consolidated financial statements for Ministries, Departments, and Agencies prepared for FY 2024/2025 are therefore Year 1 transitional financial statements as per IPSAS 33. The National Steering Committee approved the waivers and exceptions on the recognition of all assets and liabilities. The transitioning entities (MDA and County governments) recognized all financial assets and financial liabilities. The transitioning entities were allowed to recognize those assets and liabilities arising from transactions during FY 2024/2025.

The consolidated financial statements for the financial year ended 30th June 2025 have been prepared in four parts as follows: -

a) **The Consolidated Fund** - The report consolidated the Exchequer Account; the 14 Receivers of Revenue that were designated for financial year 2024/2025; the special funds that include the Petroleum Development Fund, the Road Maintenance Levy Fund, the Railway Development Levy Fund, the African Union and Other International Organizations Subscriptions, Sport, Arts & Social Development Fund and the Housing Fund; and the Exchequer deposit accounts that include the overdraft account, treasury bonds and treasury bills accounts; special project deposit accounts; e-citizen bank accounts; and East Africa Tourist Visa Account.

b) **Ministries, Departments, and Agencies (MDAs)** (prepared on a transitional accrual basis) – the report consolidates the financial statements of 81 voted entities as contained in the Appropriation Act for FY 2024/2025, and 3 Consolidated Fund Services. A statement of 85 Development Projects that are self-reporting has been annexed to the consolidated statement.

c) **State Corporations, Semi-Autonomous Government Agencies, and Public Funds** – the report consolidates the financial statements of 575 State Corporations, Semi-Autonomous Government Agencies, National Public Funds, Technical and Vocational Education Trainings (TVETS), and Teachers Training Colleges (TTCs) (prepared on a full accrual basis). However, five (5) entities were excluded from the consolidation because they did not submit their reports on time.

d) **County Governments** (prepared on a transitional accrual basis) – the report consolidates the financial statements of the 47 County Governments, comprised of the financial statements submitted for County Executives, County Assemblies, County Revenue Funds, and County Receiver of Revenues.

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, and by County Governments in accordance with Section 164 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 individual entities' financial statements are prepared in accordance with the Public Sector Accounting Standards Board (PSASB) prescribed standards and formats.

In addition to the consolidated financial statements, the following complementary reports have been prepared separately by the responsible directorates within the National Treasury as follows:

a) **Annual Public Debt report** – the report provides a review of the previous year's financing of budget deficit; composition of external debt; publicly guaranteed debt; on-lent loans and contingent liabilities; debt strategy and debt sustainability; outlook for the medium term; and any commitment fees and penalties paid on any undisbursed amounts of a loan.

   The report is prepared annually and submitted to the Parliament not later than three months after the year-end pursuant to Regulation 200 of the PFM (National Government) Regulations, 2015.

b) **Annual report on waivers** – the report accounts for the waivers and variations of taxes, fees, or charges granted by the receiver or collector during the year pursuant to sections 77 and 82 of the PFM Act, 2012 that require the receiver to submit an annual report to the Auditor-General.

I am encouraged by the continued cooperation between your office, National Treasury, the PSASB, the Controller of Budget, the Commission on Revenue Allocation, and other relevant public organs in enhancing transparency and accountability in the management of public finances.

The National Treasury, through the Directorate of Accounting Services and Quality Assurance, will continue to cooperate with your office during the audit of the financial statements hereby presented.

I note with appreciation the efforts and cooperation from the Accounting Officers of public entities and their staff in the preparation of the consolidated financial statements. I hope that the National Treasury's capacity-building efforts will be reflected in the timeliness and quality of the financial statements submitted for audit, especially with the transition to accrual basis of accounting. I challenge them to take full ownership of addressing recurring audit queries and to aim for unqualified audit reports as part of their performance targets and contracts.

Finally, I also take note of the efforts and dedication of the Directorate of Accounting Services and Quality Assurance over the past four months in supporting the public entities in the preparation of their individual financial statements and the consolidated financial statements hereby submitted.

Yours Sincerely

HON. FCPA JOHN MBADI NG'ONGO, EGH
<u>CABINET SECRETARY</u>

Copy to: **DR. Chris K. Kiptoo, CBS**
Principal Secretary
National Treasury and Economic Planning
<u>NAIROBI</u>

FCPA Dr. Margaret N. Nyakang'o, CBS
Controller of Budget
Office of The Controller of Budget
P.O BOX 35616 - 00100
<u>NAIROBI</u>

CPA Mary A. W. Chebukati
Chairperson
Commission on Revenue Allocation
P. O. Box 1310 – 00200
<u>NAIROBI</u>