

*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LTD

DATE: 22 FEB 2022

DAY:  
TUESDAY

REPORT

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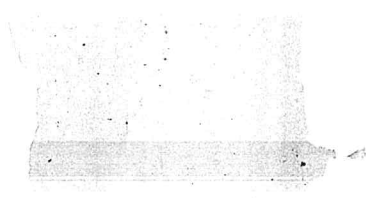
THE AUDITOR-GENERAL

ON

TREASURY MAIN CLEARANCE FUND

FOR THE YEAR ENDED  
30 JUNE, 2021







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## National Treasury & Planning

Treasury Main Clearance Fund

**Annual Report and Financial Statements  
For The Financial Year Ended  
30<sup>th</sup> June 2021**

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





The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2021.

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## 1. Key Entity Information and Management

### a) Background information

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

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

### Vision

"Excellence in economic and public financial management, and development planning".

### Mission

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

### Core Values

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

### Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;



## **The National Treasury and Planning**

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#### **Annual Reports & Financial Statements for the year ended June 30, 2021.**

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

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

The National Treasury is mandated by law to:

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

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

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

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

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

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

The National Treasury is organized into five (5) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising

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a cluster of Departments responsible for related policy functions. In addition, the Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

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

The Directorate is headed by a Director General, reporting to the Principal Secretary, National Treasury. It is organized into the following five (5) Technical Departments each headed by a Director:

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

**Directorate of Accounting Services and Quality Assurance**

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

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

**Directorate of Portfolio Management**

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

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

**Directorate of Public Debt Management Office**

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

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

**Directorate of Public Private Partnership Unit**

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

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

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common



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shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

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

#### (c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
13.	Deputy Internal Auditor General	Ms. Jane Micheni
14.	Director, Government Accounting Services Department	Mr. Jonah Wala
15.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
16.	Director, Financial Management Information System	Mr. Stanley Kamanguya

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17.	Director, Public Private Partnership Unit	Mrs. Veronica Okoth
18.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
19.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
20.	Director, Pensions Department	Mr. Michel Kagika, EBS
21.	Director, Resource Mobilization Department	Mr. Moses Kanagi
22.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
23.	Director, Debt Recording and Settlement Department	Mr. George Kariuki
24.	Secretary Administration	Mr. Hiram Kahiro
25.	Head, Accounts Division	Mr. Nemwel Motanya
26.	Head, Finance	Mr. Kimathi Mugambi, HSC
27.	Head, SCM	Mr. Aggrey kituyi
28.	Head, Internal Audit Unit	Mr. Esther Ngeru
29.	Director, Human Resource Management & Development	Ms. Susan Mucheru
30.	Director, Information Communication and Technology	Mrs. Lynn Nyongesa
31.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu, HSC
32.	Head, Public Communications	Ms. Catherine Njoroge
33.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
34.	Director, Government Clearing Agency	Mr. Felix Ateng

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

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

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

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

##### **Audit Committees**

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



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

### **Project Implementation Committee**

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

### **Parliamentary Activities**

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

### **Development Partner Oversight**

To effectively manage Official Development Assistance to the Government, the National Treasury has under the Public Debt Management a department responsible for all matters relating to

Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

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

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

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Adhoc Committees to handle specific assignments in the Financial Year 2020/21.

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

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group.

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The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

**Budget Implementation Steering Committee**

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

**Budget Implementation Technical Committee**

The Committee is chaired by the Principal Administrative Secretary and comprises the Directors General and various Heads of Department. The Committee is responsible for monitoring the actual implementation of the identified measures and programmes and reporting detailed progress on the same regularly.

**Budget Implementation Ministerial Committee**

To monitor the implementation of the Ministry's budget, programmes and activities, the National Treasury has appointed a committee comprising of officers from all the Departments of the Ministry. The Committee reviews and analyses the progress made by Departments in the implementation of budget and the planned programmes and activities and advises the management accordingly.

**Monitoring and Evaluation**

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

**(e) The National Treasury Headquarters**

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

**The National Treasury Contacts**

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

**(f) The National Treasury Bankers**

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



**(g) Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O Box 30084

GPO 00100

Nairobi, Kenya

**(h) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

## 2. Key Management Profile



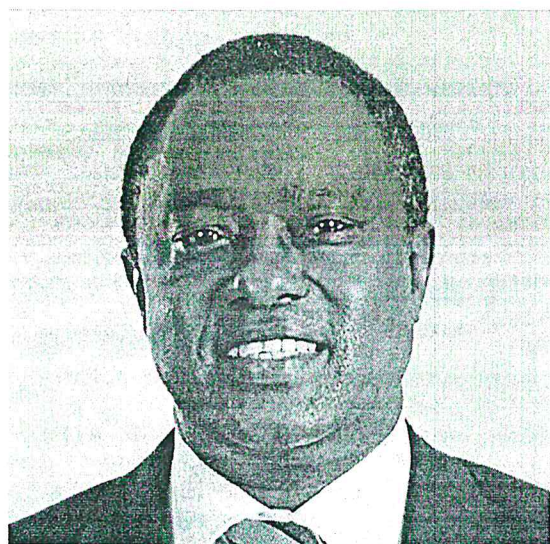
**Hon. Amb. Ukur Yatani, EGH**  
**Cabinet Secretary, National Treasury and planning**

Hon. Amb. Ukur Yatani Kanacho born in 1967, has over 27-year experience in public administration, politics, diplomacy and governance in public sector. Before his appointment as Cabinet Secretary for the National Treasury he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006 - 2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

Between 1992 - 2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

**Dr. Julius M. Muia, Phd, CBS**  
**Accounting Officer**



Dr. Julius is currently the Principal Secretary, The National Treasury & Ministry of Planning. Before this appointment, he was the Director General of the Vision 2030 Delivery Secretariat which operates under the Office of the President. Prior to this, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. He holds a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the University of Nairobi's School of Business. He is also a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muia has over 20 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.

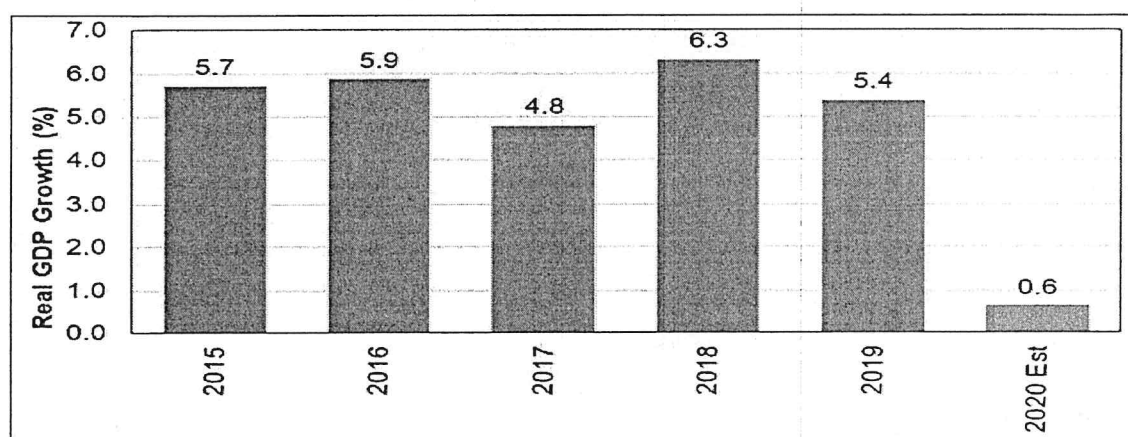
### 3. Foreword by The Cabinet Secretary



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

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

Figure 1: Annual Real GDP Growth rates (Percent)

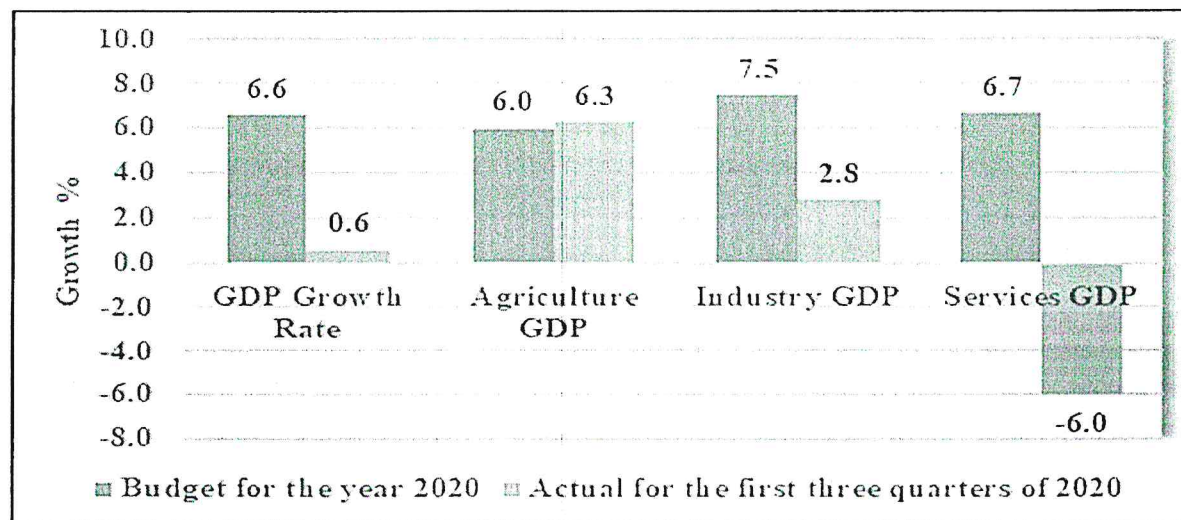


quarters of 2020 compared to a growth of 3.6 per cent in the corresponding period of 2019. The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by an average of 2.1 per cent in the first three quarters of 2020 down from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

The agriculture sector recorded an improved average growth of 6.4 per cent in the first three



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



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

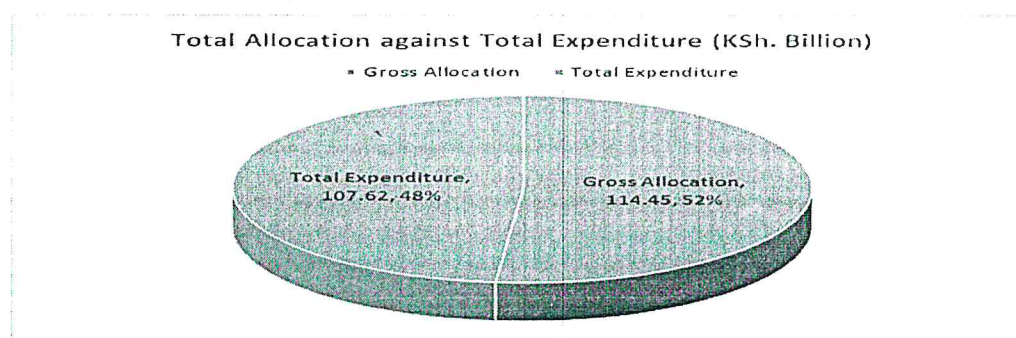
Additionally, the economic slowdown in fourth quarter was aggravated by contraction in Accommodation and Food Service activities to negative 6 per cent from 6.7 per cent on account of Corona Virus containment measures instituted in our major tourist source markets.

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

### Budget performance

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

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



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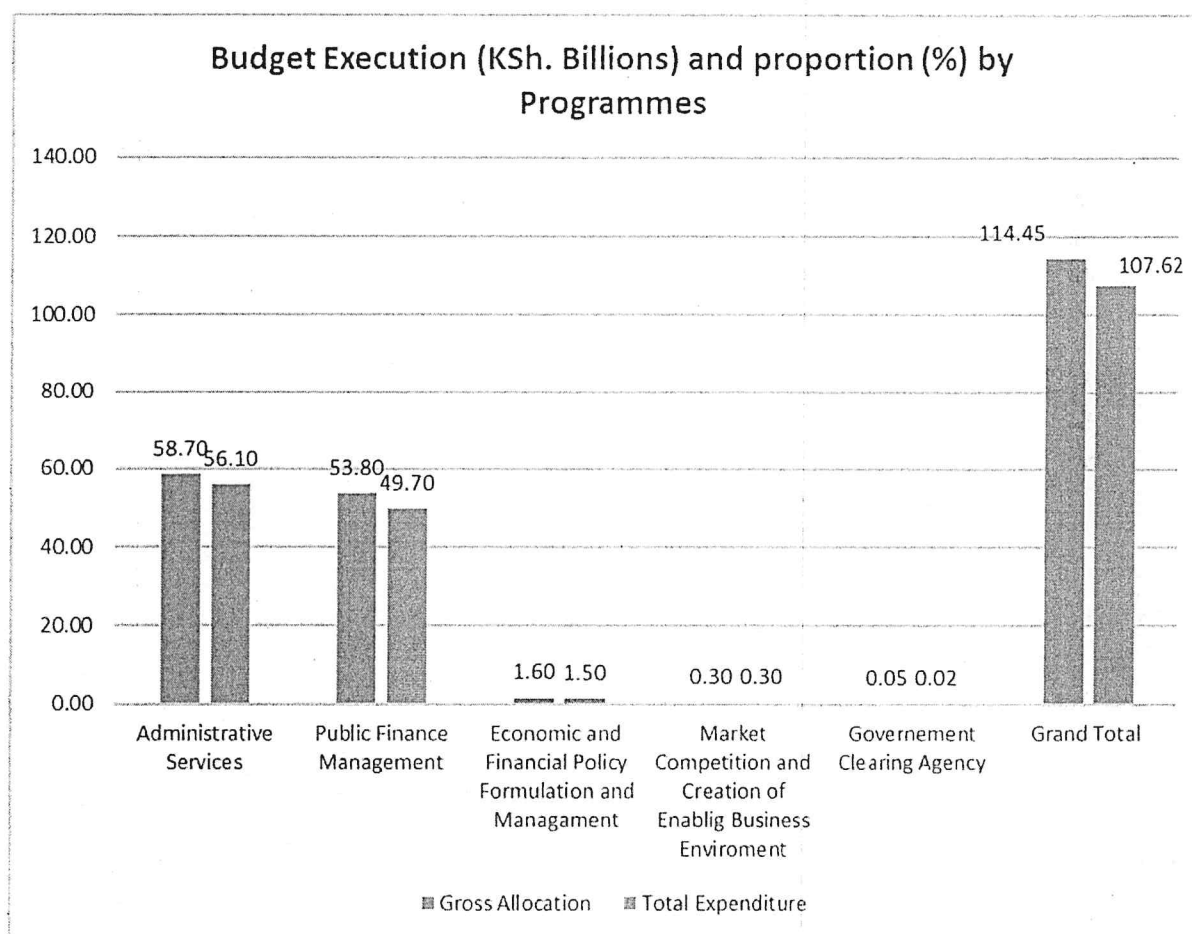
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The National Treasury implemented the 2020/21 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management,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

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

The 100% absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.



The Public Service Superannuation Scheme commenced on 1<sup>st</sup> January 2021, with the Board of Trustees having been constituted in line with the provisions of the Act that established the scheme. The scheme covers all employees below the age of 45 years of the Public Service Commission, the Teachers Service Commission and the National Police

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Service. This will be the largest pension fund in the country and will generate growth of capital markets and bring growth in unlocking value in real estate.

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

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

- i. Mobilization of external resources amounting to Kshs.622 billion for projects and Kshs.423 billion for budget support to meet the budget deficit equivalent to 40.3% of the fiscal gap;
- ii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iii. Developed two Public Private Partnership (PPP) Projects Standardized Transactional Templates.



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- iv. Developed Government Investment Management Information System (GIMIS);
- v. Conducted 245 value for money (VfM) audits;
- vi. Trained 1,273 Public Finance Management (PFM) users on financial reporting on IFMIS system;

## Emerging Issues

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

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

## Challenges

~~Some of the challenges the National Treasury faced while implementing the 2020/21 budget include:-~~

- Resource Constraint
- The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes on training, hospitality, transfer of conditional grants to County Governments and to semi-autonomous Agencies (SAGAs). The underperformance in revenue also caused delays in disbursement of funds by the National Treasury to MDAs. The underperformance of county governments own source revenue led to overreliance on transfers from the National Government occasioning more pressure on the exchequer.
- Shortage of Key Technical Staff
- The National Treasury experienced staff shortage across all cadres. This is attributed to natural attrition and departure of staff to the county governments and other constitutional bodies. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.
- Shortage of office space especially for key technical staff.
- Lack of a Project Implementation, Monitoring and Evaluation framework.

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

- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,

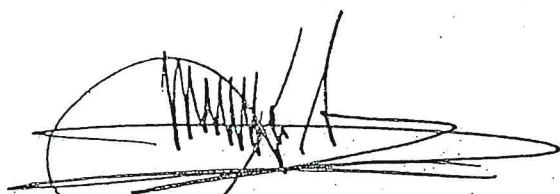
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- Undertook expenditure reduction strategies such as austerity measures and relevant re-prioritization of projects funding to those with greatest impact.
- Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions.
- Engaged other developments partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

- Increasing allocation to the sub-Sector to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 recovery programmes and strategies
  - Reforms in Public Financial Management shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
  - Sustained implementation of succession planning, especially with respect to recruitment of key technical staff;
  - Strengthening Monitoring and Evaluation Framework and capacity.
  - Leveraging on the use of ICT in the face of COVID 19 containment measures to ensure timely delivery of targets and through acquisition of modern communication equipment and systems.
- 
- Enhancing working environment and refurbishment of offices to provide accommodation of staff.
  - Prioritization of ongoing projects and fast tracking to ensure timely completion

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



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

#### 4. Statement of Performance Against Predetermined Objectives

##### Introduction

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

- (a) Strengthen organization capacity for quality service delivery;
- (b) Enhance mobilization, allocation and utilization of public resources;
- (c) Ensure stable and sustainable macro-economic environment;
- (d) Ensure market structures that encourage competition and orderly conduct of business;
- (e) Progress on Attainment of Strategic Development Objectives

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

MDA Program	Strategic Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services	Strengthen organization capacity for quality service delivery	Efficient and effective service delivery	No. of vehicles	3,400 security vehicles were leased for the National Police Service towards enhancing security
			No. of systems	Developed one Government Investments Management Information System (GIMIS)
			% level of compliance to PSSS	On Boarded and maintained all Permanent and Pensionable (P&P) Public servants of age 45 years and below in the Public Service Super Annuation Scheme (PSSS)
Public Financial Management	Enhance mobilization, allocation and utilization of public resources.	Transparent and accountable management of public resources	Consolidated Annual Accounts	Annual accounts prepared
			Annual national budget presented to	Budget presented to parliament



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			Parliament by 30th April	
			No. of standardized templates	Developed two PPP Projects Standardized Transactional Templates
			No. of Strategies	Developed one Medium Term debt strategy
			No. of VFM Audits reports	Conducted 245 Value for Money Audits due to increased requests for special audit by MDAs
			No. of Registered AGPO Enterprises	Registered 26,280 AGPO Enterprises
			No. of Policies	Developed the Assets and Liabilities Management Policy
Economic and Financial Policy Formulation and Management	Ensure stable and sustainable macro-economic environment.	Stable macroeconomic environment for economic growth	Real GDP growth rate (%)	0.6 %
			Inflation rate (%)	5.3%
			Months of import cover	4.8 months of import cover
			% of fiscal deficit	(7.7) % of GDP
			No. of Policies	Developed the Kenya Digital Finance, Policy
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)
Market Competition and Creation of an Enabling Business Environment	Ensure market structures that encourage competition and orderly conduct of business.	Sustained high productivity and competitive markets	Percentage of consumer complaints investigations concluded	94% of the consumer complaints investigated
			No. of guidelines and Merger Notification Forms	Developed the Joint Venture, Informant Reward and Exemption guidelines in order to cater for emerging issues in competition.

## **5. Corporate Social Responsibility Statement/Sustainability Reporting**

The National Treasury exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following core values: customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

### **Sustainability Strategy and Profile**

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy and its citizens against major economic shocks. Some of them include; reduction of VAT and review of income tax to cushion citizens during the COVID 19 pandemic, reorganized the budget to reflect the realities of the current situation and to manage expenditure among others. Going forward into the medium term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the Budget Policy Statement (BPS). This will ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2020/21 to 6.3 percent by FY 2023/24. This was occasioned by COVID – 19 pandemics though the desired target is to lower it to the East African Monetary Union's (EAMU) protocol target ceiling of 3.0 percent of GDP. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. In the FY 2020/21, the Government continued to implement a raft of tax policy measures through the Budget Policy Statement, the Tax Amendment Law and the Finance Act, 2019. In addition, the modernized Income Tax Bill currently undergoing legal drafting, will also ease administrative bottlenecks, improve compliance and boost revenue collection, thereby supporting the government's fiscal consolidation efforts. Further, the establishment of Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency, and accountability of public spending. In particular, the implementation of PIM regulations under the Public Finance Act will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

### **2. Environmental performance**

The National Treasury has constituted a Committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability. The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management.

### **3. Employee welfare**

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a Department established to handle Human Resources Management and Development.

The Ministry has also established a Human Resource Management Advisory Committee that process all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. In addition, a committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to ensure attracting and retaining competent officers, the National Treasury continued to conduct capacity and training needs assessments 2020/2021- 2021/22 as well as development and implementation of the training projections plan to fill skills gaps. In addition, the National Treasury continued to implement succession management plan by declaring the number of the posts to be filled under the delegated powers and continually implementing the provision of the guidelines on the policy on advancement to the next grade at the entry level in the scheme of service and implementation of the Authorised officers and the PSC decisions. Further, the importance of knowledge management was reinforced through: identification of data needs and data gaps; preparation of a database of sources of knowledge across all levels in the State Department, preparation of a comprehensive report on patterns, trends and attributes of the processed data and information in the State Department; preservation and sharing of knowledge as well as application of knowledge to policy and problem solving within the National Treasury. The National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

#### **4. Market place practices**

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. In addition, the National Treasury developed the Joint Venture, Informant Reward and Exemption guidelines in order to cater for emerging issues in competition.

#### **5. Community Engagements**

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



## 6. Statement of Management Responsibilities

Section 81 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 requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Petroleum Development Levy Fund (PDL) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the national treasury;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Petroleum Development Levy Fund (PDL) report, which has been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2021. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

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

### Approval of the Financial Statements

The Financial Statements were approved by on 30th sept. 2021

  
.....  
Dr Julius M. Muia, PhD, CBS.

Principal Secretary

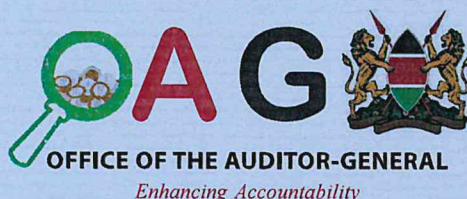
  
.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit





# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON TREASURY MAIN CLEARANCE FUND FOR THE YEAR ENDED 30 JUNE, 2021 - THE NATIONAL TREASURY**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Treasury Main Clearance Fund set out on pages 23 to 40, which comprise the statement of financial position as at



30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flow and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Treasury Main Clearance Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified of Opinion**

#### **1. Long Outstanding and Unsupported Balances**

As reported previously, the statement of financial position reflects Kshs.12,503,607,446 and Kshs.12,490,478,941 in respect of accounts receivables-debtors and accounts payables – creditors respectively. The balances have been outstanding for a long period of time and have not been supported. However, Management has stated that the amount relates to old balances that have been carried forward for many years and it has submitted a draft revocation order to the National Assembly to wind up the fund, the orders have not been acted upon by the National Assembly at the time of audit.

Consequently, and in absence of a provision for doubtful debts, the recoverability of the long outstanding accounts receivables - debtors and the discharge of the creditors could not be confirmed as at 30 June, 2021

#### **2. Unsupported Deficit Balance Brought Forward**

As reported previously, the statement of financial position as at 30 June, 2020 reflected a net financial position (closing fund balance) of Kshs.13,128,505 which consisted of a Fund balance and deficit brought forward of Kshs.14,000,000 and Kshs.871,495 respectively. However, the balances were not supported by any reconciliation statement.

Consequently, the accuracy of the closing Fund balance of Kshs.13,128,505 could not be confirmed as at 30 June, 2021

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

## **Emphasis of Matter**

### **Delay in Winding Up the Fund**

As reported previously, the Fund has been dormant for ten (10) years. The National Treasury had formed a task force on the winding up of dormant funds which included the Treasury Clearance Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General. A cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the dormant funds.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated the Cabinet approval for Revocation Order of the dormant funds. The Revocation Orders were submitted to the Attorney General Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. The Revocation Orders had not been acted upon by the National Assembly and the process of winding up the Fund had not been completed by the time of the audit.

My opinion is not modified in respect of the above matter.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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



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

### Conclusion

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

### Basis for Conclusion

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

### Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

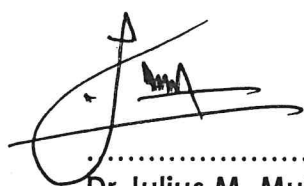
**Nairobi**

**10 January, 2022**

The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2021.

**8. Statement of Financial Performance for the year ended 30 June, 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue- Non-Exchange Transactions</b>			
Transfers from Other Government Entities	6	Nil	Nil
<b>Total revenue</b>		<b>Nil</b>	<b>Nil</b>
<b>Expenditure</b>			
Transfers/Expenses	7	Nil	Nil
<b>Total expenses</b>		<b>Nil</b>	<b>Nil</b>
<b>Surplus/Deficit for the year</b>		<b>Nil</b>	<b>Nil</b>
Remission to Treasury			
<b>Net deficit for the year</b>		<b>Nil</b>	<b>Nil</b>



.....  
Dr Julius M. Muia, PhD, CBS.

Principal Secretary



.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit




The National Treasury and Planning  
Treasury Main Clearance Fund  
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9. Statement of Financial Position as at 30 June, 2021.

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>Assets - Current Assets</b>			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	12,503,607,445.65	12,503,607,445.65
<b>Total Assets</b>		<b>12,503,607,445.65</b>	<b>12,503,607,445.65</b>
<b>Liabilities</b>			
Accounts Payable - Creditors	10	12,490,478,940.70	12,490,478,940.70
<b>Total Liabilities</b>		<b>12,490,478,940.70</b>	<b>12,490,478,940.70</b>
<b>Net Assets</b>		<b>13,128,504.95</b>	<b>13,128,504.95</b>
Fund Balance		13,128,504.95	13,128,504.95
<b>Total Net Assets</b>		<b>13,128,504.95</b>	<b>13,128,504.95</b>

The Financial Statements set out on pages 24 to 28 were signed by:

  
.....  
Dr Julius M. Muia, PhD, CBS.  
Principal Secretary

  
.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

The National Treasury and Planning  
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10. Statement of Changes in Net Assets for the year ended 30 June, 2021.

	Fund Balance	Total
	Kshs	Kshs
At July 1, 2019	14,000,000.00	14,000,000.00
Surplus for the Year	(871,495.05)	(871,495.05)
<b>At June 30, 2020</b>	<b>13,128,504.95</b>	<b>13,128,504.95</b>
At July 1, 2020	13,128,504.95	13,128,504.95
Net Surplus for the Year	Nil	Nil
<b>At June 30, 2021</b>	<b>13,128,504.95</b>	<b>13,128,504.95</b>

.....  
Dr Julius M. Muia, PhD, CBS.

Principal Secretary

.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

The National Treasury and Planning  
Treasury Main Clearance Fund  
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**11. Statement of Cash Flows for the year ended 30 June, 2021.**

	Note s	2020-2021	2019-2020
		Kshs	Kshs
<b>Cash flows from Operating Activities</b>			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
Payments			
Total Payments		Nil	Nil
<b>Net cash flows from Operating Activities</b>	11	Nil	Nil
Net Increase in Cash & Equivalents		Nil	Nil
Cash & Equivalents at the year Start	8		
<b>Cash &amp; Equivalents at Year End</b>	<b>8</b>	<b>Nil</b>	<b>Nil</b>



**12. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June, 2021.**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance	%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
<b>Total Revenue</b>	Nil	Nil	Nil	Nil	Nil	
<b>Expenses</b>						
<b>Total expenditure</b>	Nil	Nil	Nil	Nil	Nil	
<b>Net Deficit</b>	Nil	Nil	Nil	Nil	Nil	

**Budget notes**

### 13. Notes to the Financial Statements

#### i) General Information

Treasury Main Clearance Fund entity is established by and derives its authority and accountability from Public Finance Management Act.

#### ii) Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. 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 judgement in the process of applying the Fund'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 and presented in Kenya Shillings, which is the functional and reporting currency of The Fund

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**iii) Adoption of New and Revised Standards**

New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.  Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.  Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).  Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.  The amendments did not have impact on The Fund.</p>

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>



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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The Standard did not have any impact on The Fund.</p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>The Standard did not have any impact on The Fund.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**The National Treasury and Planning**  
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Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard did not have any impact on The Fund.</p>

**Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

**iv) Summary of Significant Accounting Policies**

**a) Revenue recognition- Transfers from other government entities**

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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**b) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly in June 2020. 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 entity upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on the same basis as the Financial statements thus there are no need for a reconciliation statement.

**c) Provisions**

Provisions are recognized when Treasury Main Clearance Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**d) Contingent liabilities**

Treasury Main Clearance Fund 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.

**e) Contingent assets**

Treasury Main Clearance Fund 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 Fund 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.

**f) Nature and purpose of reserves**

The has an accumulated surplus reserve that fund that facilitates the core mandate of the entity.

**g) Changes in accounting policies and estimates**

Treasury Main Clearance Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**h) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.



**i) Related parties**

Treasury Main Clearance Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are also regarded as related parties.

**j) 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 and at various commercial banks at the end of the financial year.

**k) Comparative figures**

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

**l) 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, 2021.

**m) Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

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**Note 6**

Transfers From Other Government Entities		
	2020-2021	2019-2020
	Kshs	Kshs
<b>Total</b>	<b>Nil</b>	<b>Nil</b>

**Note 7**

Transfers/Expenses		
	2020-2021	2019-2020
	Kshs	Kshs
<b>Total</b>	<b>Nil</b>	<b>Nil</b>

**Note 8**

Cash and Cash Equivalents		
	2020-2021	2019-2020
	KShs	KShs
Cash in Bank		
<b>Total</b>		



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Note 9

Account Receivables

	2020-2021	2019-2020
	Kshs	Kshs
See Appendix v	12,503,607,445.65	12,503,607,445.65
<b>Total</b>	<b>12,503,607,445.65</b>	<b>12,503,607,445.65</b>

Note 10

Account Payable - Creditors

	2020-2021	2019-2020
	Kshs	Kshs
See Appendix v	12,490,478,940.70	12,490,478,940.70
<b>Total</b>	<b>12,490,478,940.70</b>	<b>12,490,478,940.70</b>

Note 11

Cash From Operating  
Activities

	2020-2021	2019-2020
	Kshs	Kshs
Net Surplus/Deficit for Year	Nil	Nil
Adjustments		
<b>Net Cash From Operating Activities</b>	<b>Nil</b>	<b>Nil</b>

### **Financial Risk Management**

The Fund activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity'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 entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

#### **i) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

#### **ii) Liquidity risk management**

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

#### **iii) Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern.

### **Related Party Disclosures**

#### **Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

### Government of Kenya

The Government of Kenya is the principal shareholder of the Treasury Main Clearance Fund, holding 100% equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

#### Other related parties include:

- i) The Parent Ministry;
- ii) Other SCs and SAGAs
- iii) Key management;

Transactions with related parties	2020-2021	2019-2020
	Kshs	Kshs
<i>There were no related party transactions</i>		
Total	-	-



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**Surplus Remission**

The Fund does not remit surpluses to the consolidated fund.

**Events after the Reporting Period**

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

**Ultimate and Holding Entity**

The entity is a Semi- Autonomous Government Agency under the National Treasury and Planning. Its ultimate parent is the Government of Kenya.

**Currency**

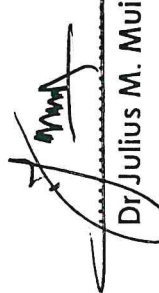
The financial statements are presented in Kenya Shillings (Kshs).

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**14. Appendix**

**Appendix 1: Progress On Follow Up of Auditor Recommendations**

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)
AA/TNT/TMCF/2019/2020/(9) Dated 17 November 2020	<ul style="list-style-type: none"> <li>-Debtors not analysed and delays in the recovery</li> <li>-Creditors not supported by relevant documents</li> <li>-The difference between balance brought forward and calculated balance not reconciled</li> <li>-No evidence on the winding up of the Fund</li> </ul>	This is a dormant Fund and the figures presented have been carried forward for many years. The Fund is among the ones intended to be wound up through the National Treasury taskforce on winding up of Dormant Funds. Cabinet memo have been prepared on the same.	Being Resolved	Within Financial Year 2021/2022

  
 Dr/Julius M. Muia, PhD, CBS.

Principal Secretary

  
 Nemwel M. Motanya  
 ICPAK Member No. 2367  
 Head of Accounting Unit

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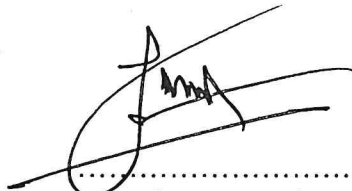
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**Appendix II: Projects Implemented by The Fund**

The Fund has no running projects.

### Appendix III: Inter-Fund Transfers

The Fund did not have any inter entity transfers.



Dr Julius M. Muia, PhD, CBS.

Principal Secretary

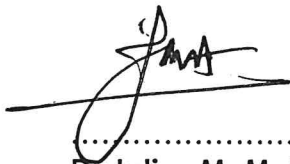


Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit



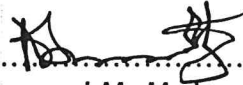
#### Appendix IV: Recording of Transfers from Other Government Entities

The Fund did not have Transfers from other Government Entities.



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Dr Julius M. Muia, PhD, CBS.

Principal Secretary



.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

## Appendix V: Account Receivables

Details		Actual
		Kshs
003	The National Treasury	7,913,690.15
013	Police Headquarters	170,879.35
019	O.O.P – Immigration Department	433,000.25
021	Pension Department	(21,572,019.85)
032	Remittance to Crown Agent	2,341,896,517.60
7310101	Foreign Remittances	10,171,437,051.40
049	Ministry of Planning	1,712,108.85
054	Remittance to Karachi Agent	132,319.40
055	Remittance to Bombay Agent	454,920.15
058	Fluorspar Company Ltd	1,028,978.35
<b>Total</b>		<b>12,503,607,445.65</b>

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**Appendix V: Account Payables – Creditors**

Details		Actual
		KSHS.
026	P.M.G Special	523,686.45
036	Advance Deposits	2,285,511,054.15
7310101	Advance Deposits	10,174,386,914.70
8820	Advance Deposits – Min. of Information	29,963,830.85
051	J.C.F Interest	93,454.55
<b>Total</b>		<b>12,490,478,940.70</b>

