

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 29 FEB 2024

REPORT

TABLED

BY:

MEMBER

OF PARLIAMENT

Pitua
Hon Naomi Wajungu, MP
Deputy majority whip
A. Simba

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**GOVERNMENT CLEARING AGENCY
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

THE NATIONAL TREASURY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

06 DEC 2023

NATIONAL TREASURY OFFICE
TREASURY BUILDING

THE NATIONAL TREASURY
GOVERNMENT CLEARING AGENCY
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30th JUNE 2023

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

The National Treasury
 Government Clearing Agency
Annual Reports & Financial Statements for the year ended 30th June 2023

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1. ACRONYMS AND GLOSSARY OF TERMS

AGPO:	Access to Government Procurement Opportunities
A-in-A	Appropriations in Aid
AFC:	Agricultural Finance Corporation
BETA:	Bottom-Up Economic Transformation Agenda
CARB:	County Allocation of Revenue Bill
CCF:	Climate Change Fund
CGS:	Credit Guarantee Scheme
CSD:	Central Securities Depository
DORB:	Division of Revenue Bill
IPSAS:	International Public Sector Accounting Standards (IPSAS)
IRMF:	Institutional Risk Management Framework
KRA:	Key Result Areas
MCDAs:	Ministries, Counties, Departments and Agencies
MDAs:	Ministries, Departments and Agencies
MSME:	Micro, Small and Medium Enterprises
NIFC:	Nairobi International Financial Centre
NHIF:	National Hospital Insurance Fund
NSSF:	National Social Security Fund
PFM:	Public Finance Management
PSSS:	Public Service Superannuation Scheme
RK-FINFA:	Rural Kenya Financial Inclusion Facility
RTPs:	Restrictive Trade Practices
SACCOs:	Saving and Credit Cooperative Organizations
SAGAs:	Semi-Autonomous Government Agencies
VFM:	Value for Money

2. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

The National Treasury was established via the Executive Order No. 1 of 2023. 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 Economic Planning, who is responsible for the general policy and strategic direction of the Ministry.

Vision

“Excellence in economic and public financial management, and development planning”.

Mission

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

Core Values

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism and Ethical Practices, Transparency and Accountability, Integrity, Teamwork and Commitment 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 Order No.1 of 2023. 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:

- (i) Overall Economic Policy Management;
- (ii) Management of Public Finance;
- (iii) Formulation of National Budget;
- (iv) Public Debt Management;
- (v) Formulation and Maintenance of Government Accounting Standards;
- (vi) Bilateral and Multilateral Financial Relations;
- (vii) Capital Markets Policy;
- (viii) Oversight over Revenue Collection;
- (ix) Competition Policy Management; National Pensions Policy Management;
- (x) Insurance Policy and Regulation;
- (xi) Public Procurement and Disposal Policy;
- (xii) Public Investment Policy and Oversight;
- (xiii) Development and Enforcement of Financial Governance Standards;
- (xiv) Financial Sector Analysis and Management including SACCOs, NSSF and NHIF;
- (xv) Financial Institutions Oversight;

- (xvi) Management of National and County Governments Financial Management System and Standards;
- (xvii) Development of Kenya as an International Financial Centre;
- (xviii) Anti-Money Laundering Policy;
- (xix) Custodian of National Government Assets and Properties; and,
- (xx) Secretariat to Intergovernmental Budget and Economic Council.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

- (i) Strengthen financial and fiscal relations between the National Government and County Governments and support for county governments in performing their functions;
- (ii) Issue guidelines on the preparation of county development planning;
- (iii) Prepare the annual legislative proposals on intergovernmental fiscal transfers;
- (iv) Provide logistical support to intergovernmental institutions overseeing intergovernmental fiscal relations;
- (v) Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- (vi) 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,
- (vii) Administer the Equalization Fund.

(b) Key Management

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

Office of the Principal Secretary

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

Organizational structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

- (a) Budget Department;
- (b) Macro and Fiscal Affairs Department;
- (c) Financial and Sectoral Affairs Department; and,
- (d) 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:

- (a) Government Accounting Services;
- (b) Information Financial Management Systems (IFMIS);
- (c) National Sub-County Treasuries; and,
- (d) Government Digital Payments Unit.

Directorate of Public Investment and 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:

- (a) Government Investment and Public Enterprises;
- (b) National Assets and Liabilities Management;
- (c) Pensions Department; and,
- (d) 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:

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

Directorate of Public Private Partnership

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 ten (10) specialized functions offering common 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:

- (a) Accounting;
- (b) Finance;
- (c) Human Resource Management and Development;
- (d) Central Planning and Project Monitoring;
- (e) Supply Chain Management;
- (f) Legal;
- (g) Public Communications;
- (h) General Administration;
- (i) Internal Audit; and,
- (j) ICT.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

S/NO.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Ag. Director, Financial and Sectoral Affairs Department	Mr. Mark Obongo
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Ag. Director, Intergovernmental Fiscal Relations Department	Ms. Josephine Kanyi, HSC
13.	Ag. Director, Internal Auditor General	Ms. Jane Micheni
14.	Ag. Director, Government Accounting Services Department	Mr. Jona Wala
15.	Ag. Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Ag. Director, Information Financial Management System	Mr. Mboni Kyallo
17.	Ag. Director, National Assets and Liability Management	Mr. Geoffrey Malombe
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Ag. Director, Public Investment Management Unit	Dr. Patrick Mugo
21.	Ag. Director, Resource Mobilization Department	Mr. David Komen
22.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
23.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
24.	Director Administration	Mr. Elijah Song'ony
25.	Head, Accounts Division	Mr. George Gichuru
26.	Head, Finance	Mr. Ambrose Ogango
27.	Senior Deputy Director, SCM	Mr. Caleb Ogot
28.	Deputy Internal Auditor General, Internal Audit Unit	Ms. Lucy Mugwe
29.	Principal State Counsel, Legal Unit	Ms. Faith Pesa
30.	Director, Human Resource Management and Development	Mr. Benson Giuthua
31.	Ag Director, Information Communication and Technology	Ms. Lynn Nyongesa
32.	Director, Central Planning and Project Monitoring Department	Mr. Antony Muriu, HSC
33.	Head, Public Communications	Ms. Catherine Njoroge
34.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(e) 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:

(i) 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 of 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.

(ii) Public Finance Management Committees

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 Economic Planning. The Principal Secretaries for the National Treasury and State Department for Economic 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.

(iii) Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Senior 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 Ad hoc Committees to handle specific assignments in the Financial Year 2022/23.

(iv) Other oversight activities

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

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.

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.

Public Financial Management Sector Working Group

To facilitate the implementation of financial management reforms, the National Treasury has appointed senior officers to the Public Financial Management Sector Working Group. The Committee plays an oversight role in the implementation of financial reforms in the public service in collaboration with the development partners.

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.

The National Treasury
Government Clearing Agency
Annual Reports & Financial Statements for the year ended 30th June 2023

The National Treasury Headquarters

P.O. Box 30007- 00100,
Treasury Building,
Harambee, Avenue
NAIROBI, KENYA

The National Treasury Contacts

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

The National Treasury Bankers

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

Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O Box 30084
GPO 00100
NAIROBI, KENYA

Principal Legal Adviser

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

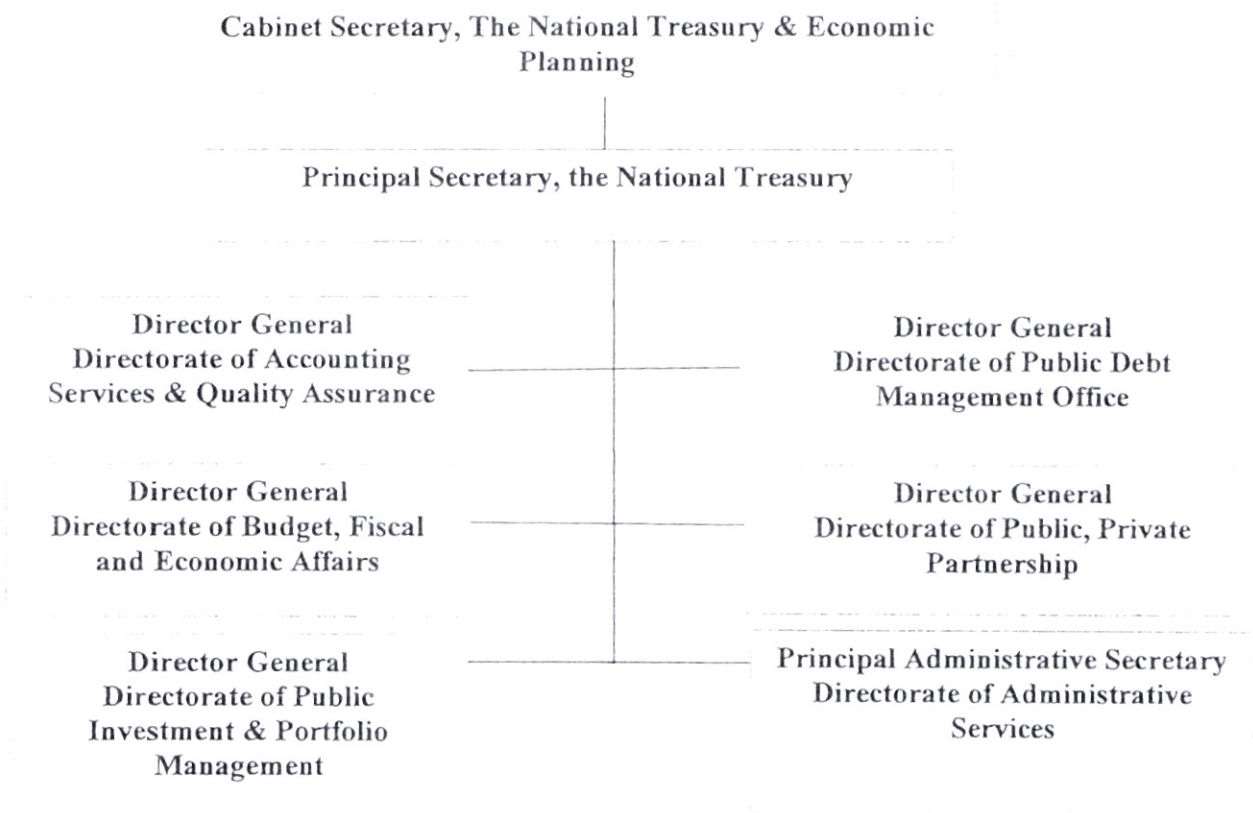
3. STATEMENT OF GOVERNANCE

(i) Brief of Key Leadership Structure

The National Treasury and Economic Planning is divided into two entities: The National Treasury and State Department for Economic Planning. It is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

At the top management level, the National Treasury is headed by the Principal Secretary who is the accounting officer and is responsible to the Cabinet Secretary in the performance of his duties. The National Treasury has six Directorates headed by Director Generals and a Principal Administrative Secretary who is responsible for Administration and Support Services.

The National Treasury Leadership Structure



(ii) Management Committees Established and Their Roles

The National Treasury has appointed managements committees to monitor the implementation of programmes, projects and report on their performance. They include:

Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and 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.

(iii) The Audit Committee

In line with the Public Finance Management Act, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which three are independent. The members were appointed on 15th December, 2022.

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

The Committee is active and meets on a quarterly basis to deliberate on their functions.

(iv) Risk Management, compliance, conflict of interest

The National Treasury appointed risk champions who have been trained. The processes of developing a risk management framework have commenced.

(v) Recent Trainings and development in governance for those in key leadership

The National Treasury supported those in key leadership positions to attend leadership and strategic management courses at the Kenya school of Government and other reputable international institutions.

(vi) Public participation activities

The National Treasury underscores the importance for public participation as provided for under the Constitution of Kenya and Public Finance Management (PFM) Act, 2012 by giving Kenyans opportunities to interrogate proposed amendments to the PFM Act, 2012 and make submissions on their views for consideration in policy making and implementation so as to strengthen and deepen good governance. The National Treasury carried out Public Sector Hearings for the Proposed Budget for the FY 2022/23 and the medium term by holding both physical meetings and virtual hearings. In addition, it carried out five (5) public participations in all regions in the country on the proposed Privatization Bill, 2023. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at settling debt anchored in line with international best practices.

(vii) Compliance with laws and regulations

The National Treasury complies with the Constitution of Kenya, all applicable laws and regulations in line with acceptable national and international standards as well as its internal policies. The National Treasury identified and documented all laws and regulations that are applicable in its operations.

The National Treasury through the legal unit is planning to carry out the first legal compliance audit in September 2023/24 FY, to establish the level of adherence of applicable laws, rules, regulations and standards, and make recommendations for implementation.

4. STATEMENT 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.

The FY 2022/23 marked the transition from the previous administration to the current one. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate revenue resources and transition related challenges. There was a general slowdown of economic activities.

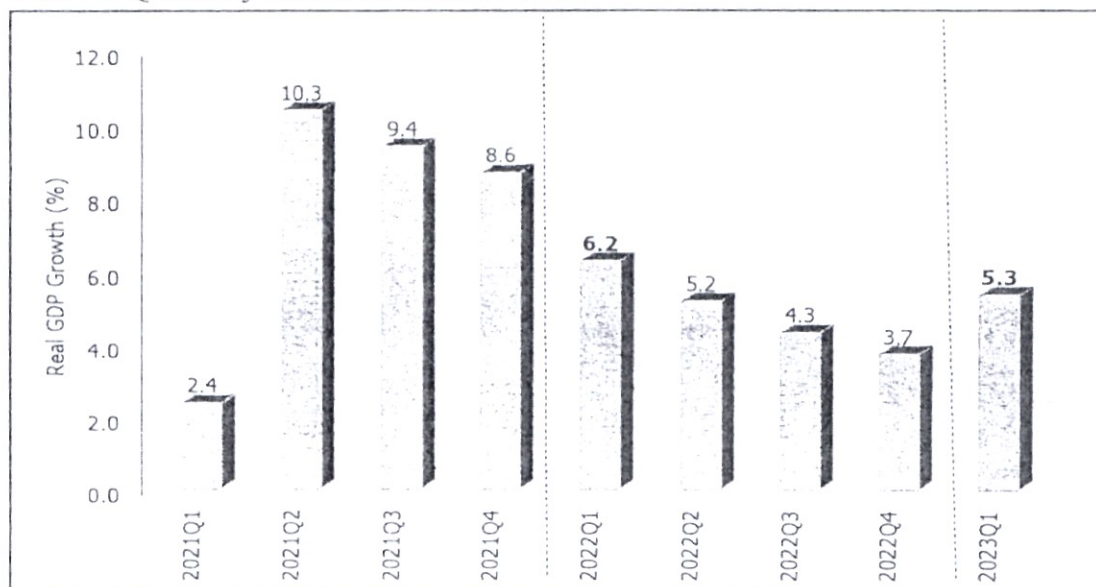
This was occasioned by external shocks including supply chain problems and prolonged Covid-19 impacts in the global arena; climate change occasioning the worst drought in 40 years and the ongoing Russia – Ukraine conflict.

Economic Growth

The Kenyan economy slowed down to a growth of 4.8 percent in 2022 compared to a revised growth of 7.6 percent in 2021. The slowdown was due to the impact of climate change that led to drought affecting agricultural productivity which also contributed to a slowdown in growth in manufacturing and in wholesale and retail trade. The growth in 2022 was spread across all sectors of the economy but was more pronounced in service-oriented activities.

The economy remained resilient and expanded by 5.3 percent in the first quarter of 2023, compared to 6.2 percent in a similar quarter in 2022 (Chart 1). The growth was mainly supported by a rebound of the agriculture sector and continued resilience of service sectors. All economic sectors recorded positive growths, though the magnitudes varied across activities.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

Activities in the agriculture, forestry and fishing sub-sector expanded by 5.8 percent in the first quarter of 2023 compared to a contraction of 1.7 percent in the first quarter of 2022 (Table 1). The significantly improved performance of the sector was attributable to favorable weather conditions that led to enhanced production, especially that of food crops. The performance was evident in the significant increase in export of vegetables and fruits recorded during the first quarter of 2023. However, the sector's performance was somewhat curtailed by decline in milk deliveries to processors, production of tea, coffee and sugarcane.

The performance of the industry sector slowed down to a growth of 2.4 percent in the first quarter of 2023 compared to a growth of 4.4 percent in the first quarter of 2022. This was mainly on account of a slowdown in activities in the manufacturing; electricity and water supply; and construction sub-sectors.

Manufacturing sub-sector expanded by 2.0 percent in the first quarter of 2023 compared to a growth of 3.8 percent in a similar quarter in 2022. The growth was mainly supported by the manufacture of food products that included bakery products and processing and preservation of fish. In the non-food manufacturing, the growth performance was supported by substantial growth in the manufacture of basic metals and fabricated metal products.

Electricity and Water Supply sub-sector expanded by 2.3 percent in the first quarter of 2023 compared to 3.2 percent growth registered in the first quarter of 2022. The growth in the sub-sector was supported by increased generation of electricity from renewable sources such as geothermal and wind that more than offset the decline in generation from hydroelectric sources. Activities of the construction sub-sector expanded by 3.1 percent in the first quarter of 2023 compared to a 6.0 percent growth in the first quarter of 2022. The slowdown in growth of the sector's performance in the first quarter of 2023 was mirrored in the decline of volume of cement consumption and imports of various construction materials such as bitumen and iron and steel.

The activities in the services sector remained strong in the first quarter of 2023 growing by 6.0 percent compared to a growth of 8.5 percent in a similar period in 2022. This performance was largely characterized by significant growths in Accommodation and Food Service; Information and Communication Technology; Transportation and Storage; Financial and Insurance; and Wholesale and Retail Trade Sub-Sectors.

Accommodation and Food Service sub-sector is estimated to have expanded by 21.5 percent in the first quarter of 2023 compared to 40.1 percent growth recorded in the first quarter of 2022. Activities in the sub-sector have been growing steadily owing to dissipation of the effects of the COVID-19 pandemic that consequently led to improved economic environment in most tourist destinations. Transportation and Storage sub-sector grew by 6.2 percent in the first quarter of 2023 compared to a growth of 7.7 percent in a similar quarter in 2022. The growth was attributed to improved performance in most of the subsectors, especially transportation of passenger and freight through rail.

Information and communication sub-sector recorded a growth of 8.7 percent in the first quarter of 2023 compared to a growth of 9.0 percent in the first quarter of 2022. This growth was mainly supported by increase in mobile money transfers, domestic voice traffic, domestic Short Messaging Services (SMSs), and utilized international bandwidth. Financial and Insurance sub-sector grew by 5.8 percent in the first quarter of 2023 compared to 17.0 percent growth in the corresponding quarter of 2022.

The Government undertook reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

Consequently, we managed to bring the fiscal deficit from the planned 6.2% under the previous administration to about 5.3% of the GDP by the closure of FY 2022/23. Moving forward in the FY 2023/24, the fiscal deficit is planned to come further down to 4.4% of the GDP.

The FY 2022/2023 closed on a strong and positive note with total revenue collection by the year to June 2023 growing by 7.3% to amount to Kshs.2.36 trillion (16.3% of GDP). Of these ordinary revenues collected amounted to Kshs.2.04 trillion which was an annual growth of 6.4 % and represented a performance rate of 95.1% against target. All tax revenue targets recorded positive growth, an indication of continued recovery in revenue collection.

Total expenditure by end of FY 2022/23 amounted to Kshs.3.21 trillion against target of Kshs.3.36 trillion translating to a shortfall in expenditure of Kshs.148.4 billion.

Critical payments made that had significant impact at the grassroots, included:

- (i) 100% payment of equitable share was disbursed to the 47 County Governments amounting to Kshs.399.6 billion. This figure included the equitable share of Kshs.370.0 billion and arrears of KSh.29.6 billion from the previous year;
- (ii) The entire allocation of KSh. 47.2 billion to the National Government Constituency Development Fund (NGCDF); and,
- (iii) 100% Cash transfer to the Elderly to cater for their needs including for food, health and upkeep. Additionally, all arrears for cash transfers to Orphans and Vulnerable Children (OVCs) amounting to Kshs.16Billion were funded.

Inflation

Year-on-year overall inflation rate has been above the 7.5 percent upper bound of the policy target range since June 2022. Inflation rate remained sticky at 7.9 percent in June 2023 same as June 2022 driven by relatively higher food and fuel prices. Overall annual average inflation increased to 8.8 percent in June 2023 compared to 6.3 percent recorded in June 2022.

Interest Rates

Monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, increased risks to the inflation outlook, the elevated global risks such as financial market volatility, and their potential impact on the domestic economy. In this regard, the Central Bank Rate was raised from 9.50 percent to 10.50 percent in June 2023.

Short-term interest rates have remained relatively stable despite tight liquidity conditions. The interbank rate increased to 9.6 percent in June 2023 compared to 5.1 percent in June 2022 while the 91-day Treasury Bills rate was at 11.5 percent compared to 7.9 percent over the same period.

Exchange Rates

The foreign exchange market has largely remained stable despite the tight global financial conditions attributed to strengthening of the US Dollar and uncertainties regarding the ongoing Russian-Ukraine conflict. Due to the strong dollar, the exchange rate to the Kenya shilling like with all world currencies has weakened to exchange at KSh. 139.7 in June 2023 compared to KSh. 117.3 in June 2022. Against the Euro, the Kenya shilling weakened to exchange at KSh 151.4 in June 2023 compared to KSh. 124.1 in June 2022 while against the Sterling Pound the Kenyan shilling also weakened to exchange at KSh. 176.3 compared to KSh. 144.8, over the same period.

Pending Bills

The total outstanding national government pending bills as at 30th June, 2023 amounted to KSh. 567.5 billion. These comprise of KSh. 443.6 billion (78.2 percent) and KSh.123.9 billion (21.8 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. Ministries/State Departments and other government entities pending bills constitutes mainly of historical pending bills for the last two years.

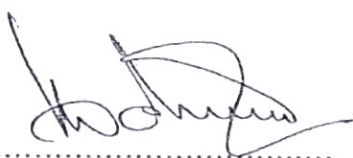
The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. In the FY 2023/24 all Ministries, Departments and Agencies (MDAs) are expected to clear all the expenditure carryovers from FY 2022/23 as a first charge before payment of commitments of the current financial year.

Bottom-Up Economic Transformation Agenda (BETA)

Going forward, MDAs will be required to prioritize allocations towards the achievement of the BETA priorities while addressing the policy, legal, regulatory, and governance issues as a matter of priority to ensure optimal use of resources in execution of the planned interventions. BETA is geared towards economic turn around and inclusive growth and aims to increase investments in at least five sectors with high potential impact on the economy as well as household welfare. These include: -

- (i) Agricultural Transformation;
- (ii) Micro, Small and Medium Enterprise (MSME);
- (iii) Housing and Settlement;
- (iv) Health care; and,
- (v) Digital superhighway and Creative Industry.

The BETA priorities should therefore be mainstreamed into the regular programmes of Ministries, Departments and Agencies. The planning and budgeting should embrace the value chain approach ensuring that there are no funding gaps, no duplications and allows for efficiency in the use of resources.

Signature.....

Date 25-09-2023.....

NJUGUNA NDUNG'U, CBS

CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

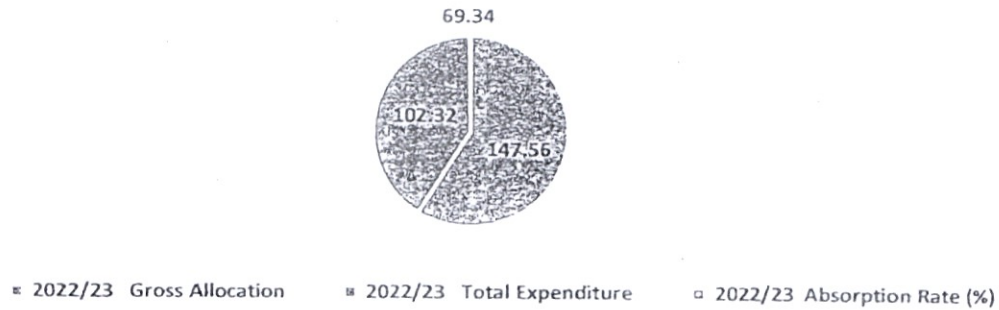
5. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

The National Treasury expenditure (inclusive of A-in-A) for the FY 2022/23 stood at KSh. 102.032 billion against an approved budget of KSh. 147.56 billion translating to an overall absorption rate of 69.43 percent as demonstrated in the pie chart below. This translates to an improvement of 6.43 percent from 63% recorded in the financial year 2021/22. Chart 2 below presents the National Treasury total budget execution for the FY 2022/23.

Chart 2: Total Allocation against Total Expenditure (KSh. Billions)

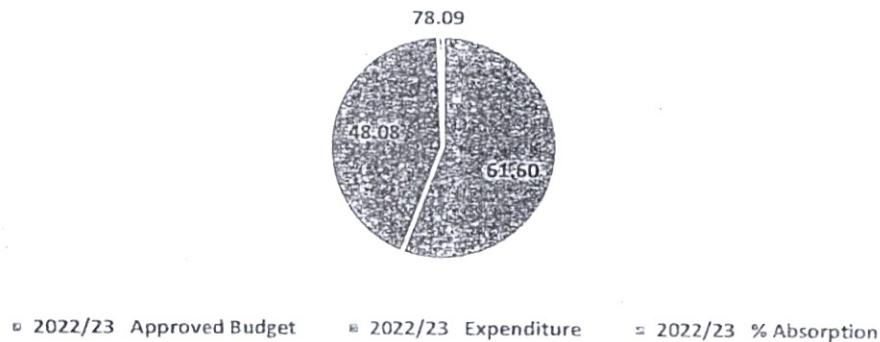
Budget execution recurrent and development



When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure (inclusive of A-in-A) stood at KSh. 48.08 billion in the FY 2022/23 against an allocation of KSh 61.60 billion translating to 78.05 % absorption rate as shown in Chart 3 below.

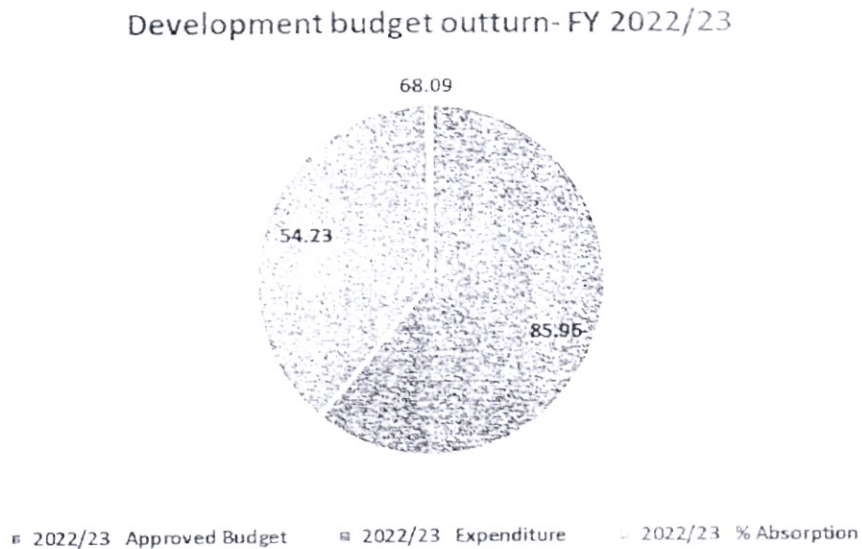
Chart 3: National Treasury recurrent budget execution for the FY 2022/23 (KSh. Billions)

Recurrent budget outturn- FY 2022/23



On the other hand, development expenditure (inclusive of A-in-A) absorption was KSh 54.23 billion against an allocation of KSh 85.96 billion recording an absorption rate of 63.09% as illustrated in Chart 4 below. The underabsorption in development expenditure is attributed to exchequer challenges.

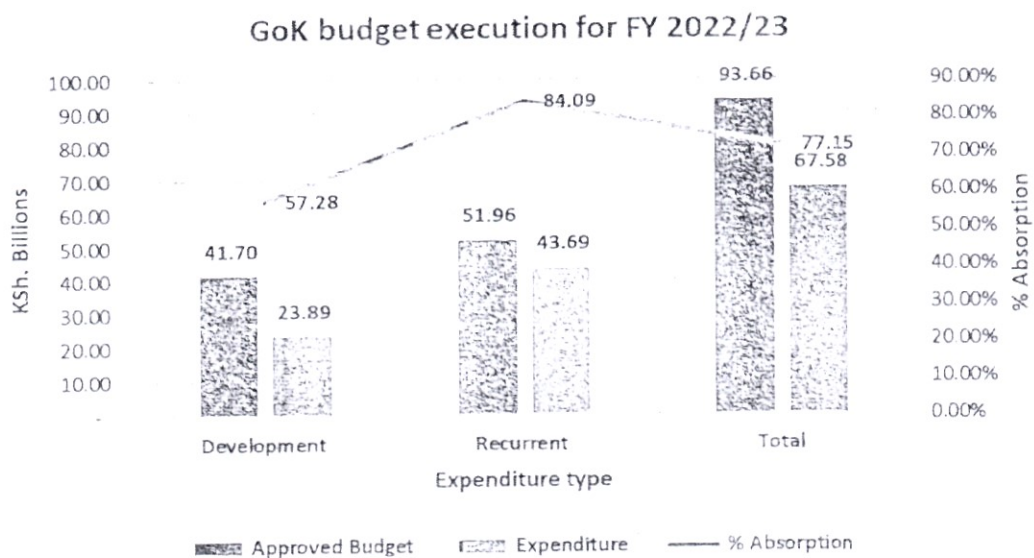
Chart 4: National Treasury development budget execution for the FY 2022/23 (KSh. Billions)



Budget execution for GoK Funds (Net of A-in-A)

The National Treasury expenditure for GoK funds (exclusive of A-in-A) for the FY 2022/23 stood at KSh. 67.58 billion against an allocation of KSh. 93.66 billion. This translates to an absorption rate of 72.15 per cent. GoK development expenditure for the year was KSh. 23.89 billion against an allocation of KSh. 41.70 billion. This constitutes an absorption rate of 57.28 per cent. On the other hand, recurrent GoK budget recorded an expenditure of KSh. 43.69 billion against an allocation of KSh. 51.96 billion translating to an absorption of 84.09 per cent. Chart 5 below illustrates budget execution for GoK funded budget for the FY 2022/23.

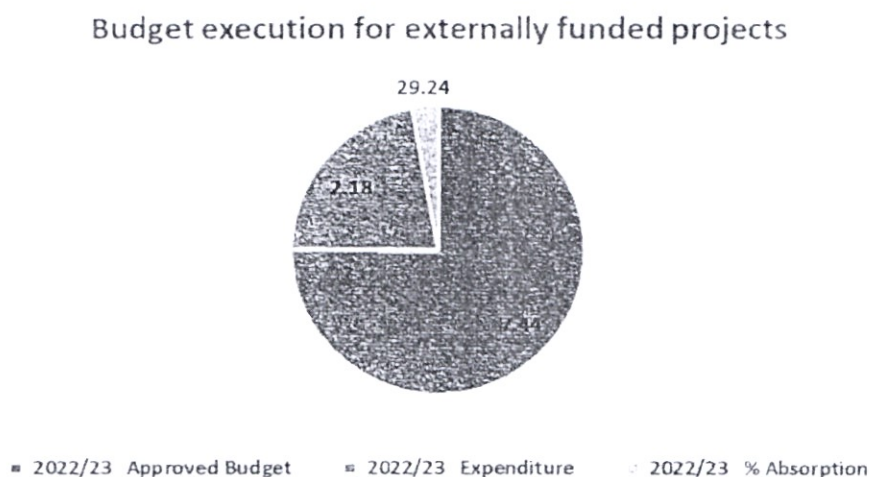
Chart 5: budget execution for GoK funded budget for the FY 2022/23 (KSh. Billions)



Budget execution for externally funded resources for FY 2022/23

The externally funded projects recorded an absorption of KSh. 2.18 billion against an allocation of KSh. 7.44 billion translating to an absorption rate of 29.24%. The under absorption in externally funded resources was attributed to: transfer of a budget of KSh. 2 billion for the National Treasury Dongo Kundu Special Economic Zones to Ministry of Transport and Infrastructure; inability to secure donor commitments; differences in accounting period of the donor; and lack of no objection from the donors for some projects. Chart 6 below presents the budget execution for externally funded resources for the FY 2022/23.

Chart 6: Budget execution for externally funded resources for FY 2022/23 (KSh. Billions)

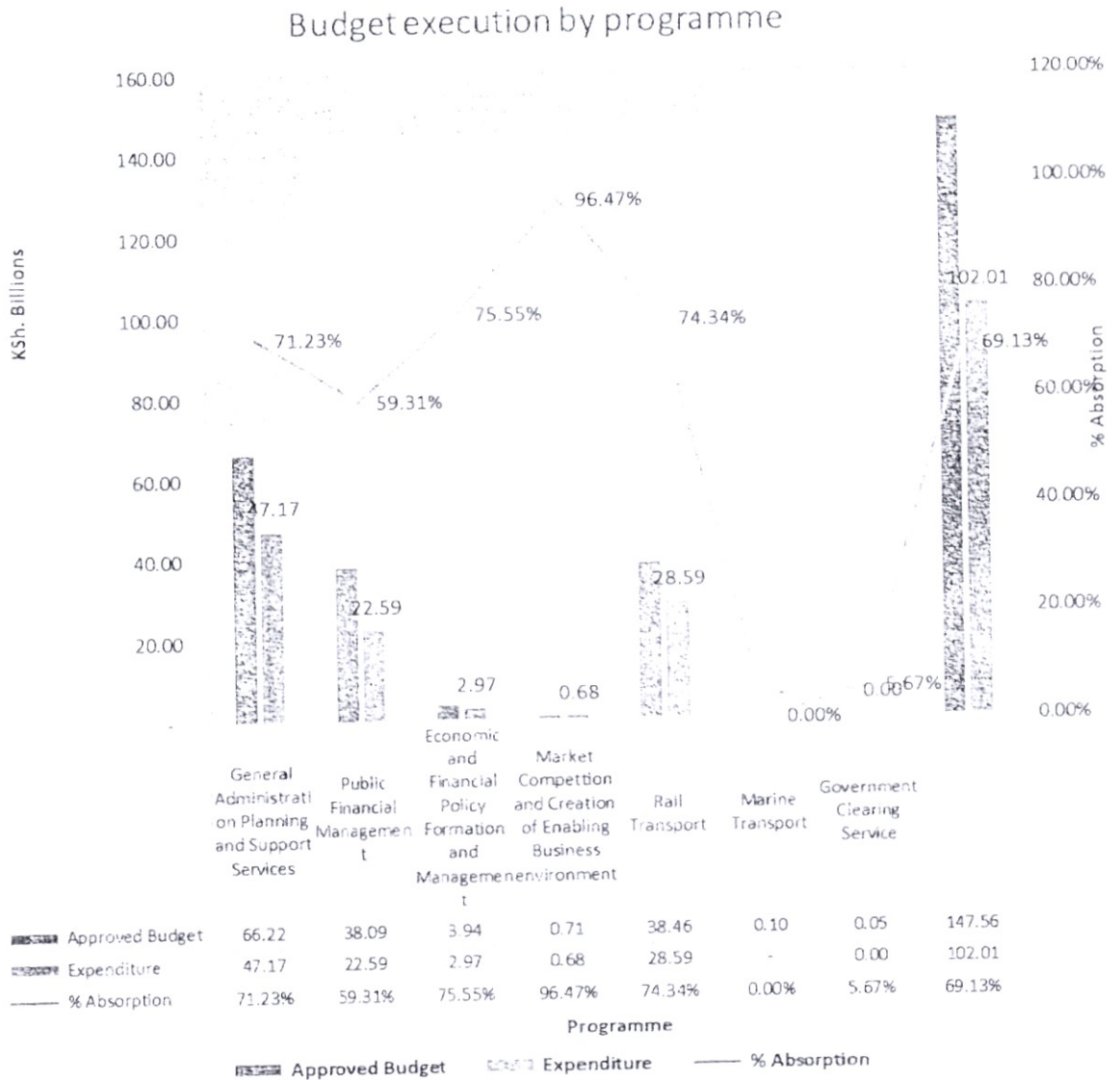


Budget Execution by Programmes

The National Treasury implemented the 2022/23 budget within seven economic 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; Government Clearing Services; Rail Transport; and Marine Transport. The latter three programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services in the FY 2021/22. These three programmes have since been transferred back to the Ministry of Transport and Infrastructure and will no longer be under the National Treasury reporting in the FY 2023/24.

As demonstrated in the chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 96.47 percent followed by Economic and Financial Policy Formulation and Management at 75.55 percent, Rail Transport at 74.43 percent, General Administration at 71.23 percent, Public Financial Management at 59.31 percent, Government Clearing Service at 5.67 percent, and Marine transport at zero (0) per cent. The lack of absorption in Government Clearing Service and Marine Transport is due to the transfer of the functions to Ministry of Transport and Infrastructure in the FY 2022/23. Chart 7 below illustrates the National Treasury budget execution by programme for the FY 2022/23.

Chart 7: Budget execution (KSh. Billions) and proportion (%) by Programme (KSh. Billions)



Key Achievements

The National Treasury registered Key Achievements during the Financial Year 2022/23. These include:

1. Under **General Administration, Planning and Support Services** programme, the National Treasury leased 4,023 security vehicles for the National Police Service towards enhancing security;
2. Under the **Public Financial Management** programme, the National Treasury mobilized a total of KSh. 22.6 billion worth of private capital under Public Private Partnerships; mobilized KSh. 8.8 billion under the Global Fund towards treatment of HIV, TB and Malaria, registered

29,435 AGPO Enterprises; and digitized an additional 4,687 government services; and conducted 269 Value for Money Audits;

3. **Under Economic and Financial Policy Formulation and Management programme**, the National Treasury implemented fiscal consolidation initiatives that led to realization of 5.7 % fiscal deficit against a target of 6.3% of GDP; developed the Nairobi International Financial Centre (NIFC) Guidelines and Regulations; established Climate Change Fund (CCF) in 7 Counties; and provided 197,960 No. of Clients with Agricultural Finance Corporation (AFC) loans in both wholesale and retail lending against a target of 196,617; and,
4. **Under Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through Competition Authority of Kenya determined 100% merger and acquisitions applications and developed one (1) Restrictive Trade Practices Guideline and one (1) Consumer Protection Guideline.

Emerging Issues

The emerging issues that impacted or may impacted the operations of the National Treasury include:

- (i) The Ongoing Russia-Ukraine conflict, and lingering effects of the COVID-19 pandemic and drought has heightened global inflation and resulted in tightening monetary policy and persistent supply chain disruptions. This hampered achievement of targets for the period under review;
- (ii) Technological advancement in the ICT sector presented opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security;
- (iii) The proliferation of fake news on social media platforms, which have a wider audience and faster response time sometimes portrayed the National Treasury in a negative manner; and,
- (iv) Development of Sector specific Project Appraisal Manuals: although the National Treasury developed a generic manual to guide the investment appraisal processes, it has now emerged that there is need to develop sector specific methodological appraisal manuals to guide sector specific analysis. Therefore, the National Treasury is required to develop over 40 sector specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process.

Challenges

Some of the challenges the National Treasury faced while implementing the 2022/23 budget include:-

(i) Resource Constraint continues to persist and affects implementation of budgets

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 MCDAs. The underperformance of county governments own source revenue led to overreliance on transfers from the National Government occasioning more pressure on the exchequer.

THE NATIONAL TREASURY

Annual Report and Financial Statement for the Year Ended June 30, 2023

Shortage of Key Technical Staff continues to affect operational efficiency in core mandate

Despite recruitment of staff across certain cadres, the National Treasury continues to experience staff shortage across all cadres against authorized establishment. As indicated in the operational performance on human resource, the current staff capacity is at 58%. This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.

- (ii) **Operating environment** is manifested, among others, by shortage of office space especially for key technical staff and, inadequate resourcing of the Monitoring and Evaluation function.

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

- (a) Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue;
- (b) The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including among others, making fertilizer available and improve productivity in counties and regions that plant in the short rain season, where the Government imported 1.5 million 50 kg bags of fertilizers and distributed them at a lower cost of Ksh 3,500;
- (c) Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions. As at the end of the Financial Year 2022/23, the National Treasury had enhanced its staff capacity to 80% of authorized establishment from 30% in the Financial Year 2020/21; and,
- (d) Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

Recommendations

- (i) There is need for increasing allocation to the National Treasury to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 Economic Recovery Strategy and emerging Government priorities;
- (ii) Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- (iii) Continued sustained implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- (iv) Strengthening Monitoring and Evaluation Framework and capacity;
- (v) Continued leveraging on ICT to ensure timely delivery of targets; and,
- (vi) Implementing the project rationalization to achieve optimal project portfolio and increase fiscal space.

THE NATIONAL TREASURY

Annual Report and Financial Statement for the Year Ended June 30, 2023

Going forward, the National Treasury will continue to implement fiscal policies that pursue growth friendly fiscal consolidation to preserve debt sustainability. This will be achieved through enhancing revenue collection and curtailing non-core expenditures while prioritizing high impact social and investment expenditure. As such, fiscal deficit is projected to decline from 5.7 percent of GDP in FY 2022/23 to 4.4 percent of GDP in FY 2023/24.



Signature

Date

25/9/23

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/THE NATIONAL TREASURY

**6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED
OBJECTIVES FOR THE FY 2022/23**

The GCA fund is a dormant fund and had no operations during the financial year.

7. MANAGEMENT DISCUSSION AND ANALYSIS

The GCA fund is a dormant fund and had no operations during the financial year.

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The GCA fund is a dormant fund and had no operations during the financial year.

9. OVERVIEW OF THE GOVERNMENT CLEARING AGENCY (GCA) ACCOUNT

9.1 Background of the Fund

GCA was founded in 1905 when the Kenya Coastal Strip was under the reign of Sultan of Zanzibar. The Agency was then known as Kenya Coast Agency and later in 1907 the same was changed to Government Coast Agency. GCA initially was facilitating movements of goods and **personnel** for colonial Government and this later changed to Clearance and Forwarding of public institution goods.

Currently its functions are;

- a) Receiving of clearance/shipping documents from Government ministries/departments/state corporations.
- b) Preparation and processing of imports/exports, warehousing and transport documents through customs, port authorities, shipping, transport, insurance agents-(underwriters) including banks and cargo surveillance agents.
- c) Verification of shipping documents as required by both international and state marine laws, regulations and procedures for goods to be allowed into the country.
- d) Classification and determination of customs and port tariffs for correct payments of imports/exports duties, port and shipping charges.
- e) Cargo location and handling-processing of goods within and outside the port area verification and examination, surveying, inspections, storage, reconditioning, packaging/repacking, containerization and releasing.
- f) Removal and countrywide dispatch of various types of Government goods from the vessels, port areas and warehouse by road or rail.
- g) Processing of documents for compensation and settlement of cargo and insurance including marine claims resulting from short-landing, short-deliveries and government equipment, damages, pilferage and general damage.
- h) Maintenance of Clearing and Forwarding records and statistics for national development and for references.
- i) Advising the government and Government institutions on matters relating to Clearing and Forwarding.

9.2 Operation

This account is operated with the National Treasury Deposit Bank Account. It does not operate a Separate Bank Account

10. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Accounting Officer of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer of the Fund is of the opinion that the Fund's financial statements give a true and fair view of The National Treasury's Fund performance during the financial year Ended June 30, 2023. The Principal Secretary in charge of the National Treasury further confirms that this is a dormant fund and the figures reflected in the financial statements are historical.


The Accounting Officer further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Accounting Officer of the Fund confirms that this fund is not a going concern. It was wound-up on 3rd April 2023.

Approval of the Financial Statements

The Financial Statements were approved by on 24/11/2023.....2023

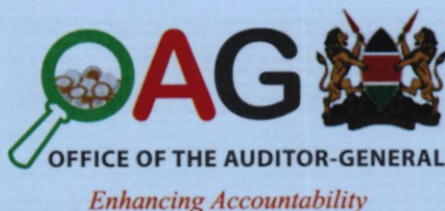

.....
Dr. Chris Kipko, CBS.

Principal Secretary


.....
George K. Gichuru
ICPAK Member No. 9262
Head of Accounting Unit

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON GOVERNMENT CLEARING AGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2023 - THE NATIONAL TREASURY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the 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

Disclaimer of Opinion

I have audited the accompanying financial statements of Government Clearing Agency Fund set out on pages 1 to 16, which comprise the statement of financial position as at

30 June, 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows 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.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Unsupported Fund Balances

As previously reported, the statement of financial position reflects balances of Kshs.300,931,776 and Kshs.52,973,896 in respect of the accounts receivable and accounts payable respectively. The balances relate to opening balances brought forward from 2021/2022 and earlier years. However, the amounts were not supported by ledger, trial balance or any verifiable documents from which the receivables and payables were drawn.

In the circumstances, the accuracy and completeness of the accounts receivable and accounts payable balances of Kshs.300,931,776 and Kshs.52,973,896, respectively could not be confirmed.

2. Delay in Winding Up the Fund

As previously reported, the Fund has been dormant for over eleven (11) years. The National Treasury formed a task force on the winding up of dormant funds which included the Government Clearing Agency Fund. Further, The National Treasury, in consultation with the Attorney General developed a Cabinet Memorandum on winding up of the dormant funds. This effort resulted to drafting of the Revocation Orders which were approved by the Cabinet and later forwarded to the Attorney General for onward transmission to the National Assembly. Even though the orders were forwarded to the Attorney General on 12 April, 2021 and a resubmission done on 31 March, 2021, evidence was not provided that the Repeal Act had been passed by the National Assembly.

In the circumstances, Management has over the years continued to prepare financial statements for a dormant fund.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to 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 abolish 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's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Government Clearing Agency financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources and on effectiveness of internal controls, risk management and governance.

I am independent of Government Clearing Agency 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 December, 2023

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE, 2023.


	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue- Non-Exchange Transactions			
Transfers from Other Government Entities	6	Nil	Nil
Total revenue		Nil	Nil
Expenditure			
Transfers to Exchequer	7	Nil	Nil
Total expenses		Nil	Nil
Surplus/Deficit for the year		Nil	Nil
Remission to Treasury			
Net deficit for the year		Nil	Nil

The notes set out on pages 6 to 15 form an integral part of these financial statements.

The financial statements were approved on 24/11/23 by:


 Dr. Chris Kiptoo, CBS.

Principal Secretary


 George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit

13. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2023.


	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets - Current Assets			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	300,931,776	300,931,776
Total Assets		300,931,776	300,931,776
Liabilities			
Accounts Payable	10	52,973,897	52,973,897
Net Assets		247,957,879	247,957,879
Represented by:			
Accumulated Surplus		247,957,879	247,957,879
Total Net Assets		247,957,879	247,957,879

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The entity financial statements were approved on 24/11/2023 and signed by:


 Dr. Chris Kiptoo, CBS.

Principal Secretary


 George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit

14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE, 2023

	Accumulated Surplus	Total
	Kshs	Kshs
At July 1, 2021	247,957,879	247,957,879
Surplus for the Year	Nil	Nil
At June 30, 2022	247,957,879	247,957,879
At July 1, 2022	247,957,879	247,957,879
Net Surplus for the Year	-	-
At June 30, 2023	247,957,879	247,957,879



Dr. Chris Kiptoo, CBS.

Principal Secretary



George K. Gichuru
ICPAK Member No. 9262
Head of Accounting Unit

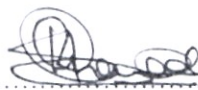
15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE, 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
Payments		Nil	Nil
Transfer to Exchequer		Nil	Nil
Total Payments		Nil	Nil
Net cash flows from Operating Activities	11	Nil	Nil
Net Increase in Cash & Equivalents		Nil	Nil
Cash & Equivalents at 1 st July 2022	8	Nil	Nil
Cash & Equivalents at 30 th June 2023	8	Nil	Nil



Dr. Chris Kiptoo, CBS.

Principal Secretary



George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit

16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE, 2023

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



Dr. Chris Kiptoo, CBS.

Principal Secretary



George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit

17. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

This is a dormant fund and was wound up on 3rd April 2023.

2. 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 Agency'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 Government Clearing Agency

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.

3 Adoption of New and Revised Standards

a) **New and amended standards and interpretations in issue effective in the year ended 30 June 2023.**

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

b) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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. <p>The standard has no impact on the entity.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 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> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>The standard has no impact on the entity.</p>

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>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 has no impact on the entity.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The standard has no impact on the entity</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Standard has no impact on the entity.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of</p>

The National Treasury
Government Clearing Agency
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Standard	Effective date and impact:
	discontinued operations to be presented separately in the statement of financial performance. The standard has no impact on the entity.

c) **Early adoption of standards**

The Entity did not early – adopt any new or amended standards in year 2021/2022

4. 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 2022-2023 was approved by the National Assembly in June 2022. 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 the Agency 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 Agency 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

The Government Clearing Agency 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

The Government Clearing Agency 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 Agency 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 Agency that facilitates the core mandate of the entity.

g) Changes in accounting policies and estimates

The Government Clearing Agency 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

The Government Clearing Agency 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.

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 30th, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Agency'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

Note 6: Transfers From Other Government Entities

	2022-2023	2021-2022
	Kshs	Kshs
Total	Nil	Nil

Note 7: Transfers/Expenses

	2022-2023	2021-2022
	Kshs	Kshs
Total	Nil	Nil

Note 8: Cash and Cash Equivalents

	2022-2023	2021-2022
	KShs	KShs
Cash in Bank		
Total	Nil	Nil

Note 9: Account Receivables

	2022-2023	2021-2022
	Kshs	Kshs
See Annex V	300,931,776	300,931,776
Total	300,931,776	300,931,776

Note 10 : Account Payable

	2022-2023	2021-2022
	Kshs	Kshs
See Annex VI	52,973,897	52,973,897
Total	52,973,897	52,973,897

Note 11: Cash From Operating Activities

	2022-2023	2021-2022
	Kshs	Kshs
Net Surplus/Deficit for Year	Nil	Nil
Adjustments		
Net Cash From Operating Activities	Nil	Nil

Financial Risk Management

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

i) Credit risk

The Agency 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 Management, 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 Government Clearing Agency, 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	2022-2023	2021-2022
	Kshs	Kshs
<i>There were no related party transactions</i>		
Total	-	-

Surplus Remission

The Agency is not required 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).

18. ANNEXES

Annex 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)
Para 23 – 24 Report of the Auditor General on The Accounts of the National Treasury funds Account for The Financial Year 2021/2022	<ol style="list-style-type: none"> 1. Unsupported Fund Balances 2. Delay in Winding Up the Fund. 	<p>This is a dormant fund and it is in the process of being wound up. The National Treasury sought and got legal opinion and recommendations from the Attorney General vide his letter Ref.AG/CONF/6/E/170 VOL II (5) of 17th May 2019. See Annex VII</p> <p>The fund account consists of old balances which have been carried forward for many years. The bill to clear these old balances from the books is before parliament and once passed, these would be cleared and the books of Accounts closed.</p>	The fund was wound up on 3 rd April 2023 and the books of accounts are in the process of being closed.	Within Financial Year 2023/2024



Dr. Chris Kiptoo, CBS.

Principal Secretary



George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit

The National Treasury
 Government Clearing Agency
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Annex II: Inter-Fund Confirmation Letter

The Government Clearing Agency Fund wishes to confirm the amounts disbursed as at 30th June 2023 as indicated in the table below.

Confirmation of amounts received by The Government Clearing Agency Fund as at 30 th June 2023						
Reference Number	Date Disbursed	Amounts Disbursed by The Government Clearing Agency Fund (Kshs) as at 30 th June 2023			Amount Received by The Government Clearing Agency Fund (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
	1 st July 2022 To 30 th June 2023	-	-	Nil	Nil	
Total				Nil	Nil	

I confirm that there was no disbursement made during the financial year.
Head of Accounts Department:

Name: George K. Gichuru Sign  Date 24/11/23

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Nil	Nil		Nil						Nil

- There was no expenditure relating to Climate category during the financial year.

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
Nil		Nil		Nil	Nil	Nil

- There was no expenditure relating to Disaster Management category.

Annex V: Account Receivables

Entity	Amount
	Kshs
10 Office of The President	55,904,744.40
20 State House	156,679.60
40 Ministry of Foreign Affairs	13,836,134.25
50 Ministry of Home Affairs	64,613,346.10
70 Ministry of Finance and Planning	11,344,876.50
80 Department of Defense	110,659,615.15
100 Ministry of Agriculture Livestock	232,454,640.50
110 Ministry of Health	245,257,924.45
140 Ministry of Transport and Communication	1,849,656.00
160 Ministry of Tourism and Wildlife	512,114.30
170 Ministry of Lands and Settlement	310,018.20
180 Ministry of Culture and Social Services	188,527.00
190 Ministry of Information Broadcasting	15,859,384.00
200 Ministry of Lands Rec. Regional and Water	44,524,447.50
210 Ministry of Environment and Natural Resources	111,000.00
220 Ministry of Cooperative Development	2,467,895.70
240 Ministry of Education	64,430,896.15
290 National Assembly	40,303.10
310 Central Bank of Kenya	1,784,727.30
330 Uganda Agents	8,452.25
390 Ministry of Planning and Development	444,924.20
400 Ministry of Public Works and Housing	17,344,539.70
440 Ministry of Energy	731,736.25
490 Paymaster General Special Account	-
491 Armed Force Canteen	51,395,154.10
494 Ministry of Research and Tech. Training	303,253.10
496 Ministry of Tech. Training and Applied Tech	7,543,994.05
500 Kenya National Library Services	9,775.00
501 Kenya Broadcasting Co-operation	22,854.60
502 Moi University	1,326,733.35
503 Jomo Kenyatta University College	3,831,981.55
504 Supplies Branch	650,511.80
506 Kenya Fluorspar Co. Ltd	5,010,935.85
SUB- TOTAL	954,931,776.00
4-124-8800-6780104 Clearance Account	(654,000,000.00)
Total	300,931,776.15

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Government Clearing Agency
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Annex VI: Account Payable (Creditors)

Entity	Actual
	Kshs
150 Ministry of Labour Manpower Development	2,956,111.75
230 Ministry of Commercial and Industry	11,162.70
140 Ministry of Transport and Communication	49,590,866.20
250 Office of the Attorney General	3,707.10
320 Kenya Post and Telecommunication	200,301.10
360 University of Nairobi	211,747.95
Total	52,973,896.80

PRINCIPAL SECRETARY
THE NATIONAL TREASURY
472 22 MAY 2019
RECEIVED
P.O. BOX 30007 - 00100, NAIROBI



REPUBLIC OF KENYA
OFFICE OF THE ATTORNEY-GENERAL
&
DEPARTMENT OF JUSTICE

RECEIVED
23 MAY 2019
243
DIRECTOR GENERAL ACCOUNTING SERVICES
NATIONAL TREASURY

Our Ref: AG/CONF/6/E/170 VOL II (5)
Your Ref: MOF/AC/305A/VOL.2 (162)

17th May 2019

Dr. Kamau Thugge, CBS
Principal Secretary
National Treasury
NAIROBI

AG/AS
Dr. AS
Approved as advised by AG without delay
24/05/19

RE: WINDING UP OF DORMANT FUND

23/5/19
24/5/19
24/5/19

Reference is made to the above subject matter.

We acknowledge receipt of your letter dated the 4th of February 2019 together with the attachments thereto in which you sought our Legal opinion. We have perused the documents and wish to advise as follows:

STATUS REPORT OF THE TASK FORCE ON THE WINDING UP OF DORMANT FUNDS

The Government has for years established funds for specific purposes through various Legal Notices. The National Treasury considered it imperative to review and rationalize the number of existing funds in line with the principle of prudent management of public resources. The review showed that a number of funds recorded NIL or minimal operation in a financial year. As a result, it was evident that these funds no longer served the purpose for which they were created, which meant that a substantial amount of public funds was tied up which could otherwise have been utilized towards other development programs.

The Parliamentary Accounts Committee recommended that The National Treasury wind up dormant Funds that had out-lived their purpose in line with Section 24 of the Public Finance Management Act, 2012.

A taskforce was therefore formed to wind up the Funds and make recommendations. The taskforce in their Status Report recommended that the following Funds be wound up:

Handwritten notes:
23/5/19
24/5/19
24/5/19
Handwritten signature
Handwritten notes: Necessary quick wind up

SHERIA HOUSE, HARAMBEE AVENUE
P.O. Box 40112-00100, NAIROBI, KENYA. TEL: +254 20 2227451/2251355/07119445555/0732529955
E-MAIL: info.sta@office@kenya.go.ke; WEBSITE: www.attorney-general.go.ke
DEPARTMENT OF JUSTICE
CO-OPERATIVE BANK HOUSE, MAJILE SELLASIE AVENUE P.O. Box 55037-00200, Nairobi, Kenya TEL: Nairobi 2724029/ 2240377
E-MAIL: legal@justice.go.ke WEBSITE: www.justice.go.ke

ISO 9001:2008 Certified



1. Provident fund
2. Asiatic Widows and Orphans Pensions Fund
3. Kenya Local Loans Support Fund
4. Preshipment inspection Fund
5. The Sinking Fund
6. Rural enterprise Fund
7. Joint consolidated Fund
8. Government clearing agency Fund
9. Treasury Main Clearance Fund
10. Cereals and Sugar Finance Corporation

The Legal Framework

Section 24(9) of the Public Finance Management Act, 2012 makes provision on the winding up of a national public Fund as follows:

- (a) the administrator of the national public Fund shall pay any amount remaining in the Fund into the National Exchequer Account for the credit of the national government; or
- (b) the Cabinet Secretary shall pay any deficit in the Fund from Funds of the national government in the National Exchequer Account with the approval of the National Assembly; and
- (c) the Cabinet Secretary shall submit a final statement of accounts to Parliament.

We recommend that the above provisions should be used to guide the entire winding up process of all ten (10) Funds.

We further recommend that proper audits of the funds be properly undertaken by the Auditor General before the winding up exercise is commenced.

1. The Provident Fund

Recommendation

The recommendations by the Task Force are not very clear on the fate of the funds which were entitled to depositors who joined parastatals and the private sector. There should be clear parameters on how to ensure that these monies are set aside for this category of persons to avoid legal challenges. The establishing Act should also be repealed.

2. Asiatic Widows and Orphans Pensions Fund

Recommendation

7. Joint consolidated Fund

Recommendation

The Fund should be wound up in accordance with the relevant legislative framework.

8. Government Clearing Agency Fund

Recommendations

The proposed write-off should be in accordance with the procedures outlined in the Public Finance Management Regulations No. 34 of 2015 of the National Government for writing off losses.

The Government Clearing Agency should be realigned to ensure that its establishment is in accordance with the relevant legislation.

9. Treasury Main Clearance Fund

Recommendation

A debtor and creditor circulation should be done in order to identify and conclude the funds' assets and liabilities before it is finally wound up.


10. Cereals and Sugar Finance Corporation

Recommendation

Several of the important cashbook records were misplaced leading to the filing of incomplete records. Some of the stores visited also did not function or had irregularities in their association with the corporation or did not function at all.

In this regard, investigations should be undertaken to ascertain the corporation's assets and liabilities. A follow up on the records should be conducted in order to ensure that the corporation was not exposed to malpractice.

We respectfully suggest that you be advised accordingly.


KENNEDY OGETO EBS
SOLICITOR GENERAL

Copy to: Hon. P. Kihara Kariuki
ATTORNEY GENERAL

Annex VIII



REPUBLIC OF KENYA
THE NATIONAL TREASURY & 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: MOF/AC/305C VOL. 2 (236)



DATE: 31st March, 2023

Hon. Justin B. N. Muturi, EGH,
Attorney-General,
Office of the Attorney-General &
Department of Justice,
P. O. Box 40112-00100,
NAIROBI.

Dear Hon. A.G.,

WINDING UP OF DORMANT NATIONAL GOVERNMENT PUBLIC FUNDS

Reference is made to your letter Ref.AG/LLD/578/2/10 Vol.XI dated 24th March, 2023 on the five Revocation Orders for winding up of the said Public Funds.

Further to your advice, we hereby submit five (5) Revocation Orders duly signed as follows:-

- (i) The Government Coast Agency Clearing Fund (Winding-Up) Order, 2023
- (ii) The Joint Consolidated Fund (Winding Up) Order 2023
- (iii) The Kenya Local Loans Support Fund (Winding-Up) Order 2023
- (iv) The Pre-Shipment Inspection Fund (Winding-Up) Order 2023
- (v) The Treasury Main Clearance Fund (Winding-Up) Order, 2023

Submitted for your further necessary action.

Yours

NJUGUNA NDUNG'U, CBS
CABINET SECRETARY/NATIONAL TREASURY AND ECONOMIC PLANNING



LEGAL NOTICE NO.....

THE PUBLIC FINANCE MANAGEMENT ACT

(No. 18 of 2012)

IN EXERCISE of the powers conferred by section 24(8) of the Public Finance Management Act, 2012, the Cabinet Secretary for the National Treasury and Planning makes the following Order—

THE GOVERNMENT COAST AGENCY CLEARING
FUND (WINDING-UP) ORDER, 2023

- Citation. 1. This Order may be cited as the Government Coast Agency Fund (Winding-up) Order, 2023.
- Winding up of Fund. 2. The Government Coast Agency Fund is wound up.
- Transitional provisions. 3. On the winding up of the Fund—
- (a) the administrator of the Fund shall pay any amount remaining in the Fund into the National Exchequer Account for the credit of the national government; or
 - (b) the Cabinet Secretary shall pay any deficit in the Fund from funds of the national government in the National Exchequer Account with the approval of the National Assembly; and
 - (c) the Cabinet Secretary shall submit a final statement of accounts to Parliament.

Made on the 3rd April,, 2023.


NJUGUNA NDUNG'U,

Cabinet Secretary for the National Treasury and Economic Planning.