

REPUBLIC OF KENYA

PARLIAMENT
OF KENYA
LIBRARY



OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY PAPER 141 D	
DATE: 15 FEB 2023	DAY: Wed
TABLED BY:	Deputy majority leader
CLERK-AT-THE-TABLE:	F. Muniki

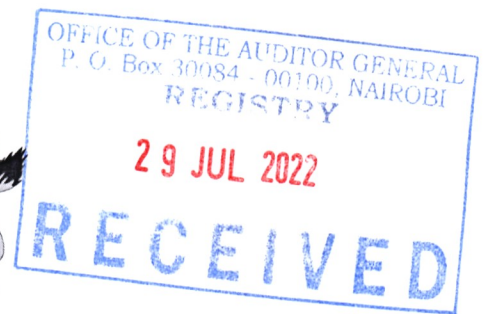
THE AUDITOR-GENERAL

ON

GOVERNMENT CLEARING AGENCY FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**

THE NATIONAL TREASURY



**The National Treasury & Planning
Government Clearing Agency**

**Annual Report and Financial Statements
For The Financial Year Ended
30th June 2021**

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

The National Treasury & Planning
Government Clearing Agency (GCA)
Annual Reports & Financial Statements for the year ended June 30,2021.

Table of Contents	Page
1. Key Entity Information and Management	2
2. Key Management Profile	10
3. Foreword by The Cabinet Secretary	11
4. Overview of the Government Clearing Agency (GCA) Account.....	17
5. Statement of Management Responsibilities	19
6. Report of The Independent Auditor.....	20
7. Statement of Financial Performance	21
8. Statement of Financial Position	22
9. Statement of Changes in Net Assets.....	23
10. Statement of Cash Flows	24
11. Statement of Comparison of Budget and Actual Amounts.....	25
12. Notes to the Financial Statements.....	26
13. Appendix.....	39

The National Treasury and Planning

Government Clearing Agency (GCA)

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

1. Key Entity Information and Management

a) Background information

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

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

Vision

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

Mission

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

Core Values

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

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;

National Treasury and Planning Government Clearing Agency

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

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

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:

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

(b) Key Management

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

Office of the Principal Secretary

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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 Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

Directorate of Public Private Partnership Unit

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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

Directorate of Administrative and Support Services (Common Shared Services)
The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into twelve (12) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

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

(c) Fiduciary Management

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

S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC

National Treasury and Planning

Government Clearing Agency

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

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

(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Audit Committees

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

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

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

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

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

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

Top Management Committee and Other Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management Committee comprising of

National Treasury and Planning

Government Clearing Agency

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

Directors General. The Committee receives reports from departments, build consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner. Additionally, the Treasury constituted Adhoc Committees to handle specific assignments in the Financial Year 2020/21.

Public Financial Management Sector Working Group

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

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

Monitoring and Evaluation

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

(e) The National Treasury Headquarters

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

The National Treasury Contacts

Telephone: (254)020-2252299

Email: info@treasury.go.ke

Website: www.treasury.go.ke

(f) The National Treasury Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

(g) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. Key Management Profile



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

Hon. Amb. Ukur Yatani Kanacho born in 1967, has over 27-year experience in public administration, politics, diplomacy and governance in public sector. Before his appointment as Cabinet Secretary for the National Treasury he served as the Cabinet Secretary for Labour and Social Protection since January 2018.

Between the years 2006 - 2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his

career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

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

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



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

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

of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

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

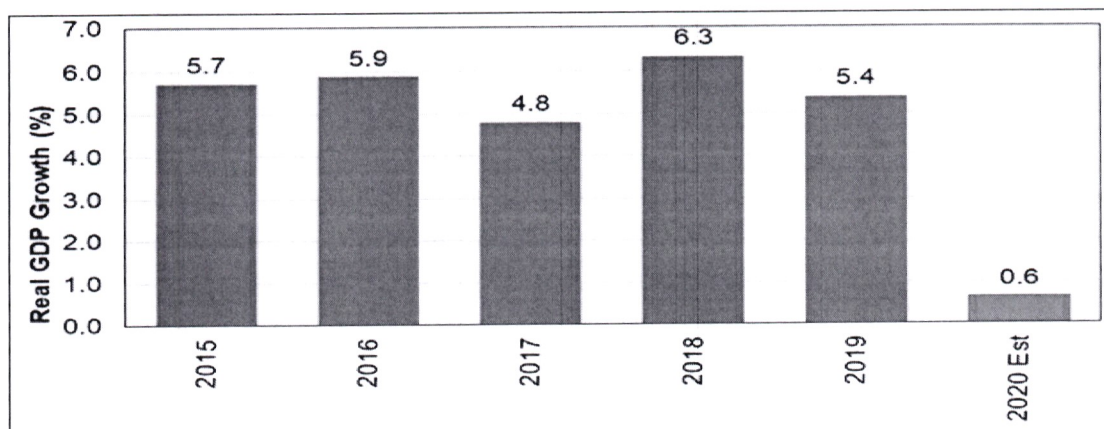
3. Foreword by The Cabinet Secretary



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

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

Figure 1: Annual Real GDP Growth rates (Percent)



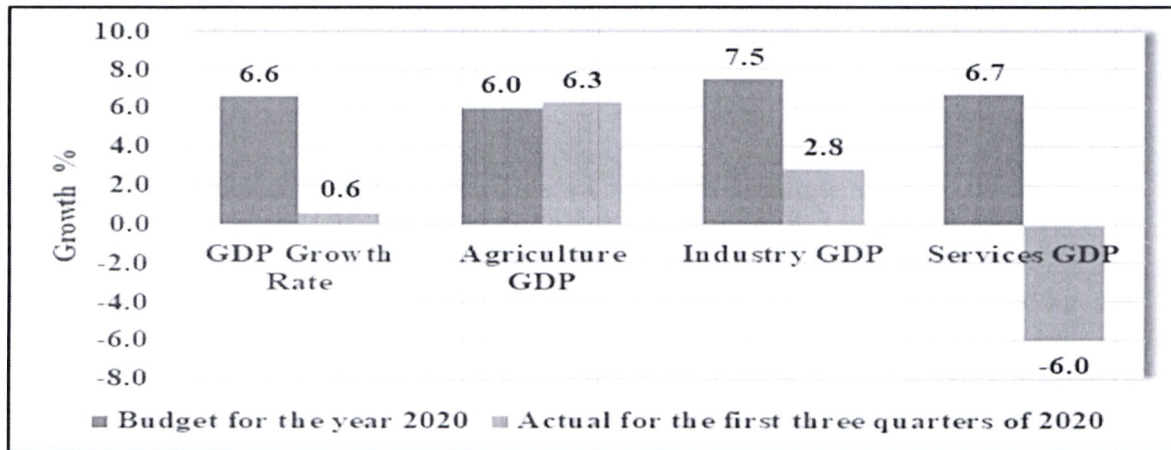
The agriculture sector recorded an improved average growth of 6.4 per cent in the first three quarters of 2020 compared to a growth of 3.6 per cent in the corresponding period of 2019. The non-agriculture (service and industry) sectors were adversely affected by the Covid-19 pandemic. As a result, the sectors contracted by an average of 2.1 per cent in the first three quarters of 2020 down from an average growth of 6.1 per cent in a similar period in 2019. (Figure 2).

National Treasury and Planning

Government Clearing Agency

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

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



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

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

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

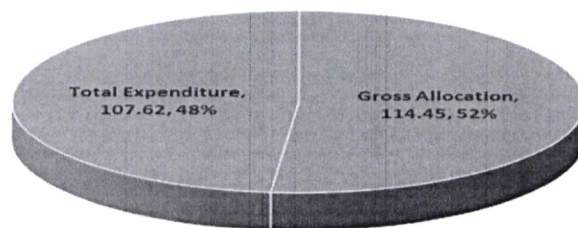
Budget performance

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

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

Total Allocation against Total Expenditure (KSh. Billion)

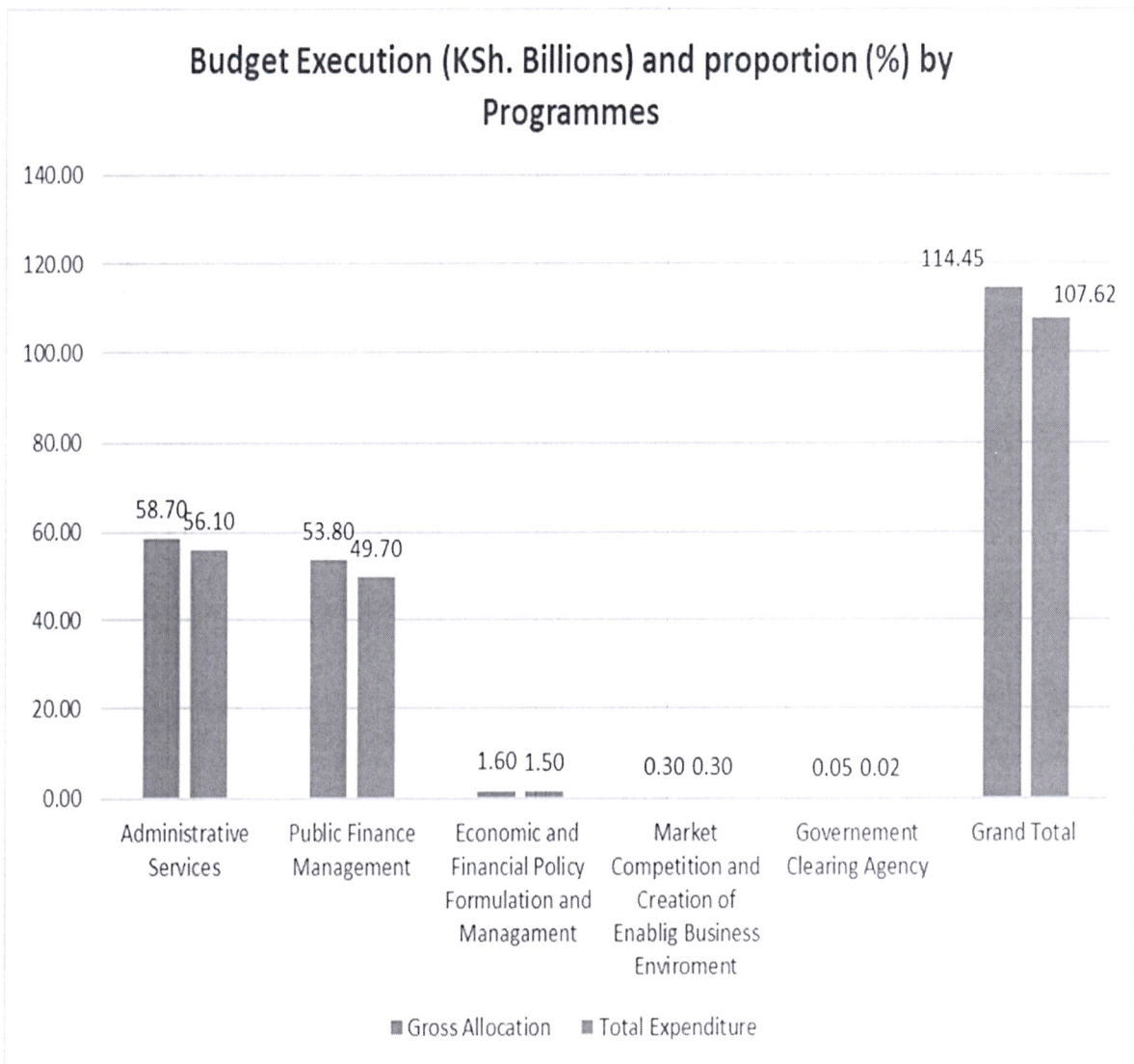
■ Gross Allocation ■ Total Expenditure



**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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

Figure 3: Budget Execution (KSh. Billions) and proportion (%) by Programmes
The 100% absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.



**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

The Public Service Superannuation Scheme commenced on 1st January 2021, with the Board of Trustees having been constituted in line with the provisions of the Act that established the scheme. The scheme covers all employees below the age of 45 years of the Public Service Commission, the Teachers Service Commission and the National Police Service. This will be the largest pension fund in the country and will generate growth of capital markets and bring growth in unlocking value in real estate.

The Performance Contract Evaluation report for all Ministries, State Corporations and Tertiary Institutions released in May 2021 ranked the National Treasury and Planning as the best performing Ministry for Fiscal year 2029/2020.

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

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

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

Emerging Issues

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

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

Challenges

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

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

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

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

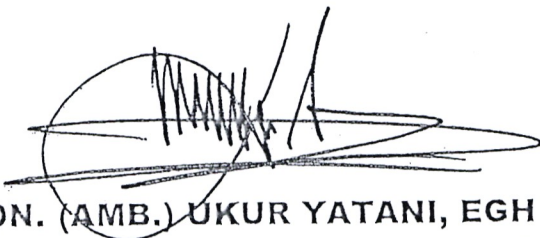
THE NATIONAL TREASURY
Reports and Financial Statements
For the year ended June 30, 2021

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

Recommendations

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

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



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

4. Overview of the Government Clearing Agency (GCA) Account

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 insurance including marine claims resulting from short-landed deliveries and government equipment, damages, pilferage and damage.
- h) Maintenance of Clearing and Forwarding records and national development and for references.
- i) Advising the government and Government institutions to Clearing and Forwarding.

There are two different offices at clearing points these that Handles goods arriving via ocean while GC/ coming by Air.

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

2. Operation

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

5.Statement of Management Responsibilities

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

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

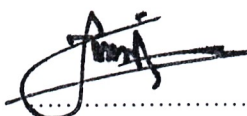
- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the national treasury;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

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

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

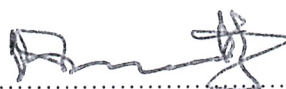
Approval of the Financial Statements

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



Dr. Julius M. Muia, PhD, CBS.

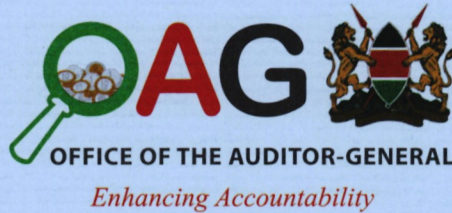
Principal Secretary



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

REPUBLIC OF KENYA

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, 2021 - 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 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 21 to 39, which comprise the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flow and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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. Non-Disclosure of Receipts and Payments

As previously reported, the statements of receipts and payments for the year ended 30 June, 2020 reflected an amount of Kshs.2,174,171 received in 2018/2019 financial year but which was transferred to the Exchequer in 2019/2020. However, analysis of entries in the bank statement for the Fund bank account operated at a commercial bank in Mombasa revealed that the Agency had received a total of Kshs.252,459,894 and made payments amounting to Kshs.213,585,119 during the year then. No explanation was provided why the Agency did not disclose the receipts and the payments in the financial statements. Further, supporting documents for the transactions reflected in the bank statement were not provided for audit review.

Consequently, the accuracy and completeness of the reported payments amounting to Kshs.2,174,171 for the year ended 30 June, 2020 could not be confirmed.

2. Unsupported Fund Balances

The statement of financial position reflects balances of Kshs.300,931,776 and Kshs.52,973,896 in respect of the accounts receivables and accounts payables respectively, as at 30 June, 2021. The balances relate to opening balances brought forward from 2019/2020 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.

Consequently, the accuracy and completeness of the reported accounts receivables and accounts payables balances of Kshs.300,931,776 and Kshs.52,973,896, respectively could not be confirmed.

3. Delay in Winding Up the Fund

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

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

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 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 June, 2022

The National Treasury and Planning
 Government Clearing Agency
 Annual Reports & Financial Statements for the year ended June 30, 2021.

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

	Note	2020-2021	2019-2020
		Kshs	Kshs
Revenue- Non-Exchange Transactions			
Transfers from Other Government Entities	6	Nil	Nil
Total revenue		Nil	Nil
Expenditure			
Transfers to Exchequer	7	Nil	2,174,171.00
Total expenses		Nil	2,174,171.00
Surplus/Deficit for the year		Nil	(2,174,171.00)
Remission to Treasury			
Net deficit for the year		Nil	(2,174,171.00)

The Financial Statements set out on pages 20 to 24 were signed by:

Dr. Julius M. Muia, PhD, CBS.

Principal Secretary

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

The National Treasury and Planning
 Government Clearing Agency
 Annual Reports & Financial Statements for the year ended June 30, 2021.

8. Statement of Financial Position as at 30 June, 2021.

	Note	2020-2021	2019-2020
		Kshs	Kshs
Assets - Current Assets			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	300,931,776.15	300,931,776.15
Total Assets		300,931,776.15	300,931,776.15
Liabilities			
Accounts Payable	10	52,973,896.80	52,973,896.80
Net Assets		247,957,879.35	247,957,879.35
Represented by:			
Accumulated Surplus		247,957,879.35	247,957,879.35
Total Net Assets		247,957,879.35	247,957,879.35

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


Principal Secretary

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

The National Treasury and Planning
 Government Clearing Agency
 Annual Reports & Financial Statements for the year ended June 30, 2021.

9. Statement of Changes in Net Assets for the year ended 30 June, 2021

	Accumulated Surplus	Total
	Kshs	Kshs
At July 1, 2019	250,132,050.35	250,132,050.35
Surplus for the Year	(2,174,171.00)	
At June 30, 2020	247,957,879.35	247,957,879.35
At July 1, 2020	247,957,879.35	247,957,879.35
Net Surplus for the Year		
At June 30, 2021	247,957,879.35	247,957,879.35



Dr. Julius M. Muia, PhD, CBS.

Principal Secretary



Nemwel M. M.
 ICPAK Member
 Head of Agency

The National Treasury and Planning
 Government Clearing Agency
 Annual Reports & Financial Statements for the year ended June 30, 2021.

10. Statement of Cash Flows for the year ended 30 June, 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
Payments			
Transfer to Exchequer			(2,174,171.00)
Total Payments			(2,174,171.00)
Net cash flows from Operating Activities	11	Nil	(2,174,171.00)
Net Increase in Cash & Equivalents		Nil	(2,174,171.00)
Cash & Equivalents at the year Start	8	Nil	2,174,171.00
Cash & Equivalents at Year End	8	Nil	Nil

The National Treasury and Planning
 Government Clearing Agency
 Annual Reports & Financial Statements for the year ended June 30, 2021.

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

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

Budget notes

12. Notes to the Financial Statements

i) General Information

The Government Clearing Agency entity is established by and derives its authority and accountability from Public Finance Management Act.

ii) Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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.

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

iii) Adoption of New and Revised Standards

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

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <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 did not have any impact on The Government Clearing Agency.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p>

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Standard	Effective date and impact:
	<p>(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> <p>The Standard did not have any impact on The Government Clearing Agency.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard did not have any impact on The Government Clearing Agency.</p>

Early adoption of standards

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

iv) Summary of Significant Accounting Policies

a) Revenue recognition- Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly in June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on the same basis as the Financial statements thus there are no need for a reconciliation statement.

c) Provisions

Provisions are recognized when 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.

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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.

l) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

v) 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

National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.

Note 6

Transfers From Other Government Entities		
	2020-2021	2019-2020
	Kshs	Kshs
Total	Nil	Nil

Note 7

Transfers/Expenses		
	2020-2021	2019-2020
	Kshs	Kshs
Total	Nil	Nil

Note 8

Cash and Cash Equivalents		
	2020-2021	2019-2020
	KShs	KShs
Cash in Bank		
Total	Nil	Nil

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Note 9

Account Receivables

	2020-2021	2019-2020
	Kshs	Kshs
See Appendix v	300,931,776.15	300,931,776.15
Total	300,931,776.15	300,931,776.15

Note 10

Account Payable

	2020-2021	2019-2020
	Kshs	Kshs
See Appendix VI	52,973,896.80	52,973,896.80
Total	52,973,896.80	52,973,896.80

Note 11

Cash From Operating Activities

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

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).

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

13. Appendix

Appendix 1: Progress On Follow Up of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>AA/TNT/GCA/2019/2020/VOL 1/(5) dated 10 May, 2021</p>	<p>1. Non-Disclosure of Receipts</p> <p>2. Non – Disclosure of payment</p> <p>Other Matters</p> <p>1. Decrease in receipts</p> <p>2 Long Outstanding Accounts Receivable cash and cash equivalent</p> <p>3. Fund Balance not supported</p> <p>5. Unreported Expenditure</p>	<p>The Financial Statements prepared and presented for audit review is for the Fund Account and does not include the Operational Accounts of the Agency.</p> <p>The Agency stopped remittance of the 5% of the receipts when it was transferred to another Ministry</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>	<p>The operational transactions were not reported because they are supposed to be reported separately however in the FY 2020-2021, the operational accounts of the agency have been reported</p> <p>Being Resolved</p>	<p>Within Financial Year 2021/2022</p>


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

Principal Secretary


.....

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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

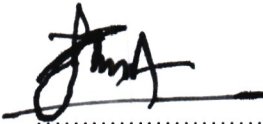
Appendix II: Projects Implemented by The Entity

The Agency has no running projects.

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**


Appendix III: Inter-Entity Transfers

The Agency did not have any inter entity transfers.



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

Principal Secretary

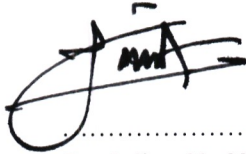


.....
Nemwel M. Motanya
ICPAK Member No. 2367
Head of Accounting Unit

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

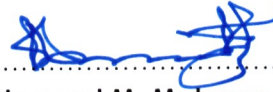
Appendix IV: Recording of Transfers from Other Government Entities

The Agency did not have Transfers from other Government Entities.



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

Principal Secretary



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

**National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.**

Appendix 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

National Treasury and Planning
Government Clearing Agency
Annual Reports & Financial Statements for the year ended June 30, 2021.

Appendix 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

