

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**GOVERNMENT CLEARING AGENCY FUND**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

**THE NATIONAL TREASURY**

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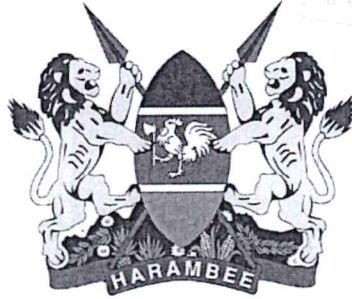
DATE: 06 NOV 2025 DAY: Thursday

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**THE NATIONAL TREASURY**  
**GOVERNMENT CLEARING AGENCY**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>th</sup> JUNE 2025**

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

The National Treasury  
Government Clearing Agency  
Annual Reports & Financial Statements for the year ended 30<sup>th</sup> June 2025

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## **1. ACRONYMS AND DEFINITIONS OF TERMS**

### **A. Acronyms and Abbreviations**

AGPO:	Access to Government Procurement Opportunities
A-in-A	Appropriations in Aid
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

## **B. Definition of Key Terms**

**Appropriation in Aid:** Revenue collected by various Government Ministries, Departments and Agencies (MDAs) and spent at source after appropriation.

**Career Development Guidelines:** A policy document that provides clearly defined career structures, well-defined job descriptions and specifications, standards for recruitment, training, advancement, career planning, and succession management.

**Carbon Credits:** Are financial instruments where the buyer compensates another entity to undertake measures aimed at lowering its greenhouse gas emissions. The purchaser then receives recognition for these emissions reductions.

**County Allocation of Revenue Bill:** A Bill for an Act of Parliament, prepared in fulfilment of the requirements of Article 218(2) of the Constitution and Section 191 of the Public Finance Management Act, 2012, to provide for the equitable allocation of revenue raised nationally among the county governments in every financial year and the responsibilities of national and county governments pursuant to such allocation and for connected purposes.

**County Governments Additional Allocation Bill:** A Bill for Act of Parliament to provide for additional allocations (conditional and unconditional) to county governments; the responsibilities of National t and county governments pursuant to such allocations; and for connected purposes.

**Evaluation:** Refers to a systematic and objective assessment of ongoing or completed activities. The aim is to determine the relevance and level of achievement of activity objectives, effectiveness, efficiency, impact and sustainability. Evaluations also feed lessons learnt into the decision-making process.

**Emerging Issues:** This refers to recent occurrences /events /phenomena which might impact the sector negatively or positively. They include environmental, policy, legal, technological, economic, political, social and cultural.

**Monitoring:** Is a continuous assessment that aims at providing all stakeholders with early detailed information on the progress or delay of the ongoing assessed activities. It is an oversight of the activity's implementation stage.

**Public Financial Management Reforms:** These are reforms aimed at strengthening Public Finance Management (PFM) systems to enhance effectiveness of the budget processes, improve transparency and deployment of Public Private Partnership arrangements in funding infrastructural projects, among others.

**Risk:** The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Value for Money (VFM) Audits:** To give assurance on prudent utilization of public resources and establish whether funds have been used economically, efficiently and effectively.

## **2. KEY NATIONAL TREASURY INFORMATION AND MANAGEMENT**

### **a) Background Information**

The National Treasury was established vide the Executive Order No. 1 of 2025. The basis for establishment of the National Treasury is found in Article 225 (1) 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, who is responsible for the general policy and strategic direction of the Ministry.

### **b) 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 2025. The National Treasury exercises its mandate in consistency with any other legislation as 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 Multi-Lateral Financial Relations;
- vii. Capital Markets Policy;
- viii. Oversight of Revenue Collection as prescribed;
- ix. Competition Policy Management;
- x. Insurance Policy and Regulation;
- xi. Development and Enforcement of Financial Governance Standards;
- xii. Financial Sector Analysis and Management including SACCOs, NSSF and SHA;
- xiii. Financial Institutions Oversight;
- xiv. Management of National and County Governments Financial Management System and Standards;
- xv. Development of Kenya as an International Financial Centre;
- xvi. Anti-Money Laundering Policy; and
- xvii. Development and promotion of carbon trading (carbon credit markets) as an emerging asset class within the capital markets.

### **Vision**

“Excellence in economic and public finance management, and development planning for Kenya’s socio-economic transformation.”

### **Mission**

“To provide leadership in prudent economic and public finance management and development planning through formulation, implementation and monitoring of policies for Kenya’s inclusive growth”.

### **Core Values**

The National Treasury is guided by the following **STRICT** core values:

- Stakeholder participation;
- Transparency and accountability;
- Results oriented;
- Integrity;
- Customer focus; and
- Teamwork and commitment;

### **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 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.

#### **c) Key Management**

The National Treasury’s day-to-day management is bestowed on following key offices.

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

The Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the Accounting Officer and Authorized Officer. In addition, the Principal Secretary is charged with the responsibility of advising the Cabinet Secretary on policy, technical and administrative functions in the National Treasury.

#### **Organizational Structure of the National Treasury**

The National Treasury is organized into four (4) technical Directorates headed by Directors General and one (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 Audit headed by a Director and Internal Auditor General respectively. The National Treasury also has a Public Finance Management Reforms 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**

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 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 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.

**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 five (5) Technical Departments each headed by a Director:

- (a) Government Investment and Public Enterprises;
- (b) National Assets and Liabilities Management;
- (c) Parastatal Reforms;
- (d) Pensions Department; and
- (e) Public Investment Management.

**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.

**Note:** Directorate of Public Investment and Portfolio Management and Directorate of Public Private Partnership have since been transferred from the National Treasury to the new State Department for Public Investment and Assets Management vide Executive Order No. 1/ 2025 dated June, 2025.

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 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, MBS
4.	Director General, Accounting Services	FCPA. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet, EBS
6.	Director General, PDMO	Mr. Raphael O. Otieno
7.	Director General, PPP	Eng. Kefa Seda
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje, OGW
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangala, OGW
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Internal Auditor General	Dr. CPA. Sammy Kimunguyi, CFE, CISA
14.	Director, Government Accounting Services Department	CPA, FA. Jona Wala
15.	Director, National Sub County Treasuries	CPA. Francis Kariuki, OGW
16.	Director, Integrated Financial Management Information System	Mr. Mboni Kyallo
17.	Director, National Assets and Liability Management	CPA. Geoffrey Malombe, ndc(k)
18.	Director, Government Investment and Public Enterprises	CPA. Kennedy Ondieki, EBS
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Director, Public Investment Management Unit	Mr. Orumoi Jonah

22.	Director, Resource Mobilization Department	Mr. Amos Cheptoo
23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Director, Debt Recording and Settlement Department	Mr. Jeremiah Tomno
25.	Director Administration (Ag.)	Mr. Denis Kirui
26.	Director Accounting Services/Head, Accounts Division	CPA. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Director/Head, Supply Chain Management Unit	Mr. Caleb Ogot
29.	Senior Deputy Internal Auditor General/Head, Internal Audit Unit	CPA. Lucy Mugwe
30.	Principal State Law Counsel, Legal Unit	Ms. Faith Chirchir
31.	Director, Human Resource Management and Development	Mr. Benson Giuthua, OGW
32.	Director, Information Communication and Technology	Mr. Edward Ruteere
33.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
34.	Director, Public Communications Unit	Mr. Godfrey Isiye
35.	Ag. Director Government Digital Payments Unit	Mr. Silas Oswe
36.	Director, Exchequer Services	CPA. Jane Wacuka, OGW
37.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett

#### 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 Committee

In line with the Public Finance Management Act, 2012 the National Treasury has established a Ministerial Audit Committee comprising five members, four of whom are independent. The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations.

The committee support the Accounting Officer with regard to the responsibilities on issues of risk management, internal controls, governance and associated assurance. The Committee also follow up on the implementation of the recommendations of internal and external auditors.

##### ii. Public Finance Management Committees

###### Budget Implementation Steering Committee

In order to effectively monitor the implementation of the National Government budget, the National Treasury has established a steering Committee chaired by the Cabinet Secretary, National Treasury. 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.

**Public Finance Management Standing Committee (PFMSC)**

Established to provide strategic guidance on Public Finance Management according to the Public Finance Management (National Government) Regulations. The committee is crucial for ensuring prudent financial management and accountability at the National Treasury.

**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.

**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.

**iii. Top 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 2024/25.

**iv. The National Treasury Monitoring and Evaluation Technical Committee (NTPMEC)**  
The National Treasury 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 Monitoring and Evaluation Technical Committee (NTPMEC) is a dedicated technical committee which was established by PS/NT on 28<sup>th</sup> May, 2024 to mainstream PM&E practices within the National Treasury and ensure effective oversight and evaluation of fiscal policies, budgetary allocations, and public investments.

The Committee is mandated to enhance the efficiency, transparency, and accountability of the planning, budgeting, financial management, and M&E practices within the National Treasury. It aims to provide systematic oversight, evaluation, and evidence-based recommendations for functional and operational efficiency and realization of intended strategic outcomes.

**The National Treasury Headquarters**

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**NAIROBI, KENYA**

**The National Treasury Contacts**

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Email: [Communication@treasury.go.ke](mailto:Communication@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**The National Treasury Bankers**

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Haile Selassie Avenue  
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The Attorney General  
State Law Office  
Harambee Avenue  
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**NAIROBI, KENYA**

### 3. PROFILE OF CABINET SECRETARY, THE NATIONAL TREASURY



**HON. FCPA. JOHN MBADI NG'ONGO, EGH** is the Cabinet Secretary (CS) for The National Treasury. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

His contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills.

#### 4. PROFILE OF PRINCIPAL SECRETARY, THE NATIONAL TREASURY



**DR. CHRIS K. KIPTOO, CBS** is the Principal Secretary, the National Treasury. He was appointed Principal Secretary by H.E the President William Samoei Ruto on 1<sup>st</sup> December, 2022. Since his appointment, Dr Kiptoo has been at the forefront in implementing Fiscal consolidation, Public Debt management including the Eurobond, expenditure rationalization, revenue mobilization as well as reform of state-owned enterprises (SOEs).

Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector; macroeconomic accounting, modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa.

Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

## 5. STATEMENT BY THE CABINET SECRETARY, THE NATIONAL TREASURY

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 2024/25 marked the third year following the transition from the previous administration to the current one. The FY 2024/25 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

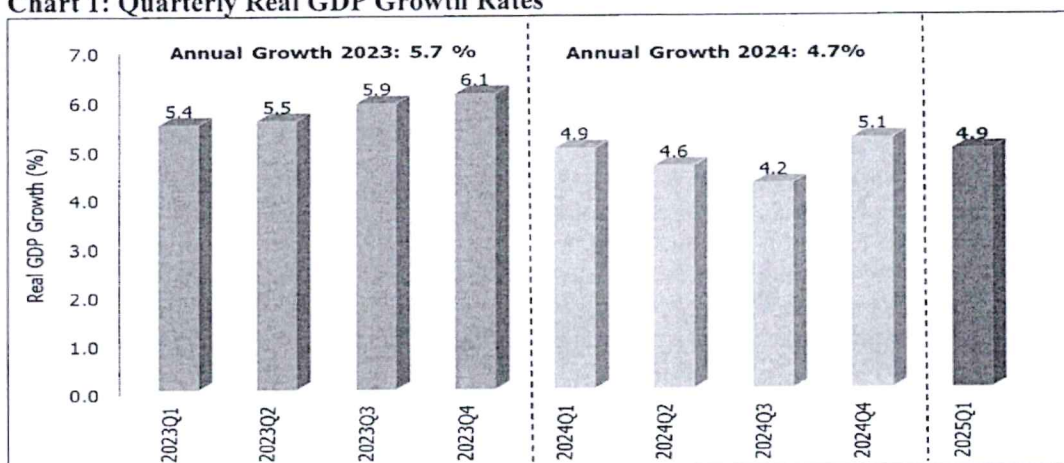
### Economic Growth

In 2024, the economy grew by 4.7 percent supported by positive growths in all sectors except construction and mining. This growth was lower compared to 5.7 percent in 2023 mainly due to adverse effects of floods in the second quarter and the anti-Finance Bill protests in the third Quarter of 2024 that disrupted economic activities.

The economy remained strong and resilient in the first quarter of 2025 with a growth of 4.9 percent, a similar growth compared to the corresponding quarter of 2024 (**Chart 1**). This growth was primarily underpinned by strong performance in the agriculture sector, a recovery of industrial activities, and the resilience of services sector.

All economic sectors recorded positive growth rates in the first quarter of 2025, though the magnitudes varied across activities. The diversified structure of the economy remains a key source of resilience for the economy to domestic and external shocks.

**Chart 1: Quarterly Real GDP Growth Rates**



Source of Data: Kenya National Bureau of Statistics

The primary sector grew by 6.2 percent in the first quarter of 2025 compared to a growth of 4.5 percent in the first quarter of 2024 (**Table 1**). This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector and a recovery in the mining and quarrying sub sector. Activities in the **agriculture, forestry and fishing sub-sector** expanded by 6.0 percent in the first quarter of 2025 compared to a growth of 5.6 percent in a similar quarter in 2024.

This performance was driven by favorable weather conditions experienced in most parts of the country involved in crop and animal production. This was evident in the significant increase in production of sugarcane, milk deliveries and increased coffee exports. The sector's performance was further supported by improved external demand of cut flowers and vegetables. However, the sector's performance was somewhat curtailed by a decline in tea production.

The **mining and quarrying sub-sector** contributed to the overall primary sector performance with a strong rebound of 10.0 percent during the quarter, reflecting increased activity and renewed investment following a period of subdued performance in the previous year.

**The industry sector** recorded a growth of 2.6 percent in the first quarter of 2025, improving from 1.5 percent in the same quarter of 2024. This growth was driven by positive performance across manufacturing, electricity and water supply, and construction.

The **manufacturing sub-sector** grew by 2.1 percent compared to a growth of 1.9 percent in the first quarter of 2024. This growth was supported by both food and non-food manufacturing activities. In food manufacturing, the sector benefitted from strong increases in coffee auctions, milk deliveries, sugar production, and soft drink output. Non-food manufacturing also performed well, with increased production in cement and galvanized sheets. However, the sector faced some constraints due to a decline in credit to manufacturing enterprises.

The **electricity and water supply sub-sector** grew by 3.6 percent, compared to 2.8 percent in Q1 2024, largely due to a rise in total electricity generation. Renewable energy sources contributed significantly, with solar and wind generation increasing. Growth in the sector was curtailed by an increase in Thermal power generation while hydro and geothermal generation declined.

**Construction sub-sector** grew by 3.0 percent in the first quarter of 2025, up from 0.4 percent in Q1 2024, driven by increased consumption of key inputs such as cement and iron and steel. However, imported bitumen volumes declined, suggesting a potential slowdown in road construction activities.

In the first quarter of 2025, **the services sector** recorded a real GDP growth of 4.8 percent, a slowdown from the 6.8 percent growth posted in the corresponding quarter of 2024. The decline can be attributed to a combination of factors including rising prices, a slowdown in manufacturing, and the lingering effects of the COVID-19 pandemic. The Transportation and Storage sub-sector expanded by 3.8 percent, slightly lower than the 4.1 percent growth in Q1 2024, supported by increased land transport and port activity.

**Accommodation and Food Service activities** grew by 4.1 percent in the first quarter of 2025, a slowdown, compared to a growth of 38.1 percent in the first quarter of 2024. The growth is due to several factors, including the recovery from the COVID-19 pandemic, increased domestic tourism, and a growing middle class with more disposable income. The number of visitor arrivals via the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA) increased by 0.5 percent in the first quarter of 2025 compared to a 10.4 percent growth in the first quarter of 2024. This is due to Government initiatives geared towards promoting domestic tourism and improving infrastructure also contribute to this growth.

The **Information and Communication sub-sector** grew by 5.8 percent in the first quarter of 2025, compared to 9.2 percent growth in the corresponding quarter of 2024. This performance was supported by an increase in the volume of outgoing domestic voice traffic, use of domestic Short Messaging Services (SMSs) and mobile money transactions. Similarly, the total utilized international bandwidth increased in the first quarter of 2025, mainly attributed to the launch of an additional internet service provider in the country.

The **Financial and Insurance sub-sector** recorded a slower growth of 5.1 percent in the first quarter of 2025 compared to 9.6 percent growth in the corresponding quarter of 2024. Despite the overall slowdown, the sector remained buoyed by increased activity in financial transactions and improved credit conditions.

**Table 1: Sectoral Real GDP Growth rate (Percent)**

Sectors	Annual Growth Rates		Quarterly Growth Rates		
	2023	2024	2023 Q1	2024 Q1	2025 Q1
<b>1. Primary Industry</b>	<b>5.7</b>	<b>3.9</b>	<b>5.4</b>	<b>4.5</b>	<b>6.2</b>
1.1. Agriculture, Forestry and Fishing	6.6	4.6	6.5	5.6	6.0
1.2. Mining and Quarrying	(6.5)	(9.2)	(10.6)	(16.1)	10.0
<b>2. Secondary Sector (Industry)</b>	<b>2.6</b>	<b>1.5</b>	<b>2.1</b>	<b>1.5</b>	<b>2.6</b>
2.1. Manufacturing	2.2	2.8	2.1	1.9	2.1
2.2. Electricity and Water supply	3.2	1.9	3.8	2.8	3.6
2.3. Construction	3.0	(0.7)	1.4	0.4	3.0
<b>3. Tertiary sector (Services)</b>	<b>6.8</b>	<b>6.1</b>	<b>6.6</b>	<b>6.8</b>	<b>4.8</b>
3.1. Wholesale and Retail trade	3.3	3.8	3.7	3.6	5.4
3.2. Accommodation and Restaurant	33.6	25.7	46.3	38.1	4.1
3.3. Transport and Storage	5.5	4.4	6.8	4.1	3.8
3.4. Information and Communication	10.3	7.0	10.4	9.2	5.8
3.5. Financial and Insurance	10.1	7.6	4.7	9.6	5.1
3.6. Public Administration	5.0	8.2	8.4	7.5	6.5
3.7. Others	6.1	5.2	5.7	5.8	4.4
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.4	4.6
Real Estate	7.3	5.3	6.6	6.9	5.3
Education	2.9	3.9	3.6	2.4	2.9
Health	4.5	6.3	4.8	5.4	4.8
Taxes less subsidies	3.2	4.4	2.7	2.9	5.7
<b>Real GDP</b>	<b>5.7</b>	<b>4.7</b>	<b>5.4</b>	<b>4.9</b>	<b>4.9</b>
of which Non-Agriculture	<b>5.8</b>	<b>4.8</b>	<b>5.5</b>	<b>5.0</b>	<b>4.5</b>

Source of Data: Kenya National Bureau of Statistics

The implementation of the FY 2024/25 budget faced notable challenges, primarily following the withdrawal of the Finance Bill 2024. Its withdrawal, alongside the associated public demonstrations, adversely affected economic activity and disrupted business operations across the country, compounding the fiscal pressures facing the Government. In response, the Government undertook a revision of the fiscal framework through Supplementary Estimates No. I in August 2024. This revision reflected a lower revenue base following the preliminary outcomes of FY 2023/24, while also addressing immediate cash flow constraints. These adjustments were critical to ensuring the continuity of public service delivery. In addition to the mid-year economic disruptions, the budget execution has been further constrained by shortfalls in revenue and emerging expenditure pressures.

Notably, the implementation of Collective Bargaining Agreements and funding requirements under the new university education financing model placed significant demands on the available fiscal space. These challenges led to cash flow pressures and a build-up of pending obligations, which necessitated careful fiscal management and reprioritization. To address these evolving dynamics, the Government prepared Supplementary Budget Estimates to accommodate revenue shortfalls experienced during the current fiscal year and accommodated expenditure pressures.

In this regard, the FY 2024/25, the fiscal balance (on commitment basis and excluding grants) amounted to KSh 1,044.5 billion (5.8 percent of GDP) against a targeted deficit of KSh. 648.8 billion (3.6 percent of GDP). The fiscal balance (on a commitment basis and including grants) in FY 2024/25 stood at 5.8 percent of GDP against a target deficit of 3.3 percent of GDP.

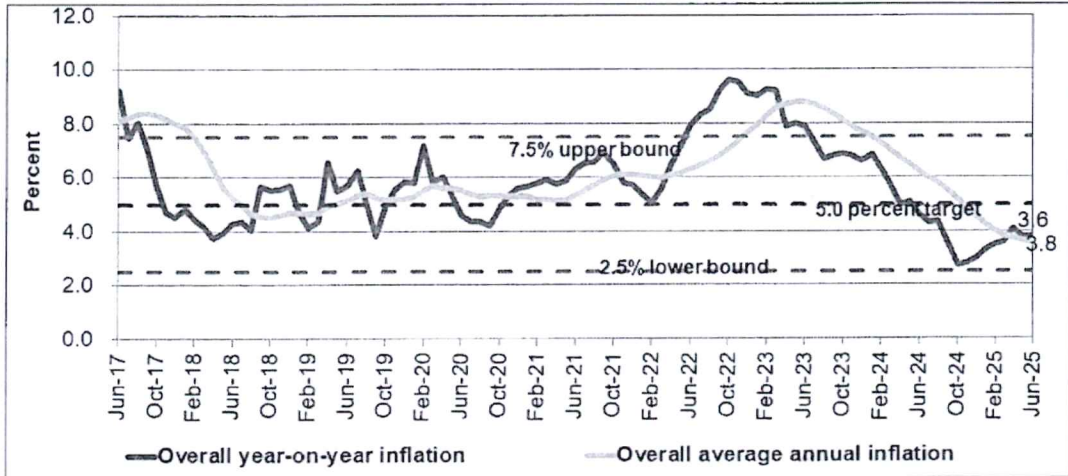
Total revenue collection by the end of June 2025, stood at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0 billion below the target.

The total expenditure and net lending for the period under review amounted to KSh 3,963.1 billion, against a target of KSh 3,992.0 billion. The resultant under expenditure of KSh 28.9 billion is attributed to below target absorption of development expenditures by the National Government. Recurrent expenditure for National Government amounted to KSh 2,937.2 billion against a target of KSh 2,841.9 billion leading to an above target expenditure of KSh 95.2 billion. The above target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments.

### **Inflation**

The overall year-on year inflation remained under control and within the Government target range of  $5 \pm 2.5$  percent. Inflation declined to 3.8 percent in June 2025 from 4.6 percent in June 2024 (**Chart 2**). Easing inflation has been supported by abundant supply of food arising from favorable weather conditions, lower fuel inflation attributed to appreciation of the exchange rate and lower international oil prices, and the decline in non-food non-fuel (NFNF) inflation reflecting impact of previous monetary policy tightening. Overall average inflation declined from 6.2 percent in June 2024 to 3.6 percent in June 2025 and has remained below the mid-point of the target band of 5.0 percent since June 2024.

**Chart 2: Inflation Development**

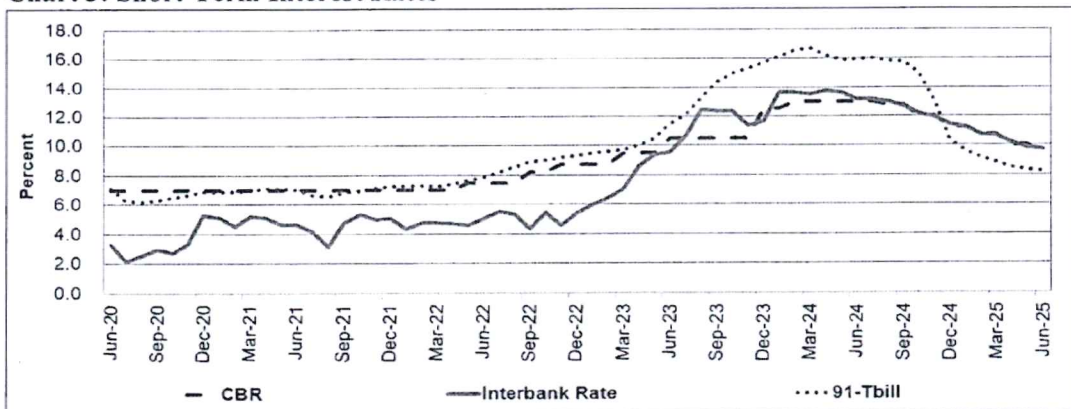


Source of Data: KNBS

Given that inflation was below the mid-point of the target range and the exchange rate had stabilized, the Central Bank of Kenya through the Monetary Policy Committee (MPC) gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 13 percent in August 2024 to 11.25 percent in December 2024 and further to 9.75 percent in June 2025. The easing of the monetary policy stance supported lowering of interest rates to boost lending by banks to the private sector thereby supporting economic activities.

Interest rates declined in line with the easing of the monetary policy. The interbank rate declined to 9.7 percent in June 2025 compared to 13.1 percent in June 2024 and remained within the prescribed corridor around the CBR (set at  $CBR \pm 150$  basis points). The 91-day Treasury Bills rate also declined to 8.2 percent in June 2025 from 16.0 percent in June 2024.

**Chart 3: Short-Term Interest Rates**

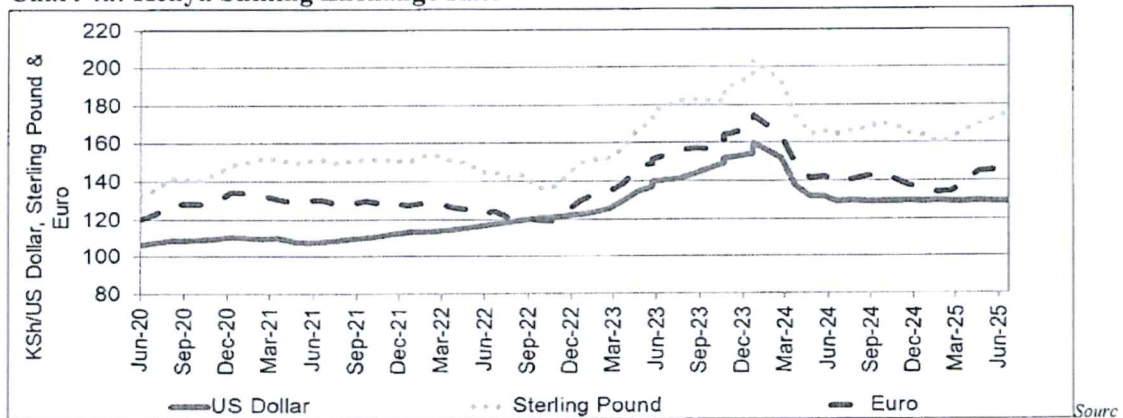


Source of Data: Central Bank of Kenya

### Exchange Rates

The Kenya Shilling exhibited mixed performance against major international currencies. It remained relatively stable against the US Dollar, strengthening marginally by approximately 0.08 percent, indicating steady demand for the US Dollar and minimal volatility in the exchange rate. However, the Shilling weakened notably against the Euro and the Sterling Pound, depreciating by about 7.11 percent and 6.69 percent, respectively. In June 2025, it exchanged at an average of KSh 129.3 per US Dollar compared with KSh 129.4 per US Dollar in June 2024. Against the Euro, the Shilling traded at an average of KSh 149.2 by end of June 2025 compared to KSh 139.3 by end of June 2024, while against the Sterling Pound, it exchanged at an average of KSh 175.5 compared to KSh 164.5 over the same period.

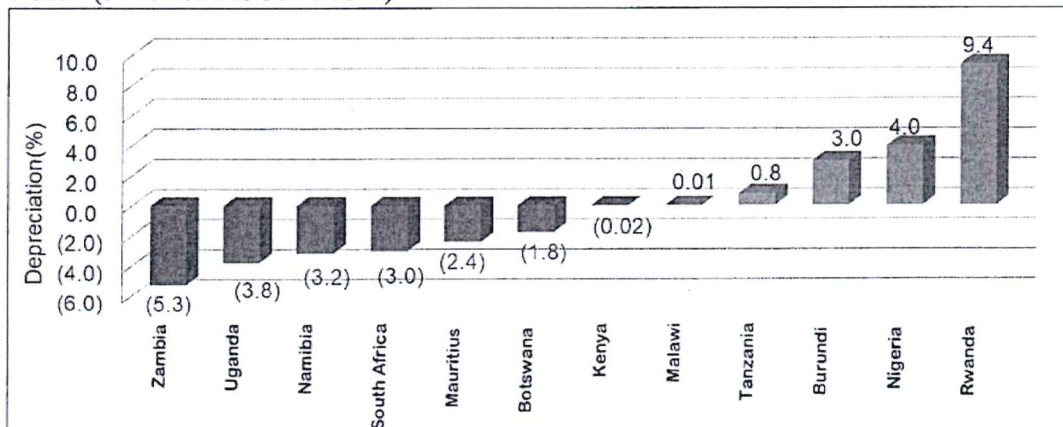
**Chart 4a: Kenya Shilling Exchange Rate**



Source of Data: Central Bank of Kenya

In comparison to Sub-Saharan Africa currencies, the volatility of the Kenya Shilling exchange rate has remained relatively low amid high demand for the US dollar in the international markets. The Kenya Shilling remained stable supported by resilient remittances, adequate foreign exchange reserves and strong exports receipts. Majority of other Sub-Saharan Africa Currencies depreciated during the same period, particularly: Malawian Kwacha, Tanzanian Shilling, Burundi Franc, Nigeria Naira, and Rwanda Franc (**chart 4b**).

**Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2024 to June 2025)**



Source of Data: National Central Banks

### Pending Bills

The total outstanding National Government pending bills as at 31<sup>st</sup> March, 2025 amounted to KSh. 421.6 billion. These comprise recurrent bills of KSh. 162.0 billion (38.4 percent) and development pending bills of KSh. 259.7 billion (61.6 percent). The pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills belong to Contractor/Projects and Suppliers. Ministries/State Departments and other Government Agencies pending bills constitutes mainly of historical pending bills.

The National Government policy on clearance of pending bills continues to be in force. All MDAs are therefore, expected to continue with prioritization of payment of the pending bills by settling them as a first charge in the current financial year budget in line with the Treasury guidelines for implementation of the financial year 2024/25 and the medium-term budget, Treasury Circular No. 7/2023.

### Bottom-Up Economic Transformation Agenda (BETA)

MDAs continued to prioritize allocations towards the achievement of the BETA priorities while addressing the policy, legal, regulatory, and governance issues 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.

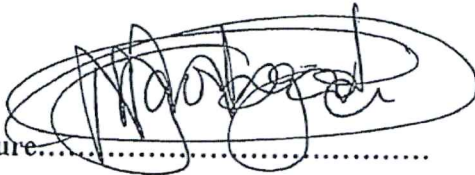
These include: -

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

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Fiscal policy for FY 2024/25 and the medium-term budget aimed to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation was supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that further strengthened tax revenue mobilization efforts during the period under review and going forward.

Signature.....

Date.....18<sup>th</sup> August, 2025.....

**HON. FCPA JOHN MBADI NG'ONGO, EGH**  
**CABINET SECRETARY**  
**THE NATIONAL TREASURY AND ECONOMIC PLANNING**

**6. STATEMENT BY THE PRINCIPAL SECRETARY**

**Budget performance**

The National Treasury expenditure for the FY 2024/25 stood at Ksh. 93.50 billion against an approved budget of Ksh .122.18 billion as per supplementary III, translating to an overall absorption rate of 76.53%. This shows a minimal decline of 0.23% from 76.76% recorded in the financial year 2023/24. The National Treasury’ printed estimate, supplementary estimates, expenditure and absorption rates are demonstrated in the summary table below:

**Table on Budget and Expenditure for FY 2024/25 as at 30<sup>th</sup> June 2025**

Vote	Printed Estimates FY 2024/25	Supplementary I Estimates FY 2024/25	Supplementary II Estimates FY 2024/25	Supplementary III Estimates FY 2024/25	Expenditure as at 30th June, 2025	Absorption rate (%age)
	Kshs. million					
<b>Recurrent</b>	75,596.0	66,721.4	78,013.0	82,266.0	66,988.5	81.4
<b>Development</b>	59,526.2	52,504.4	39,039	39,910.3	26,508.3	66.4
<b>Total Budget</b>	135,122.1	119,225.8	117,051.8	122,176.4	93,496.8	76.5

The Chart 1 below represents the trend of budget allocation trend through supplementary in 2024/25 FY

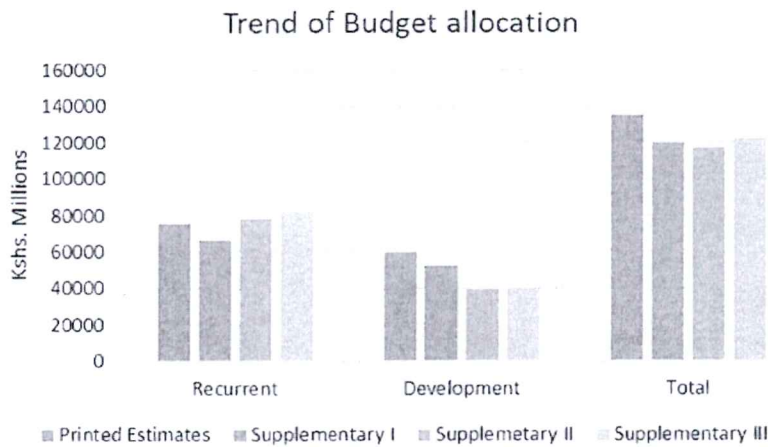
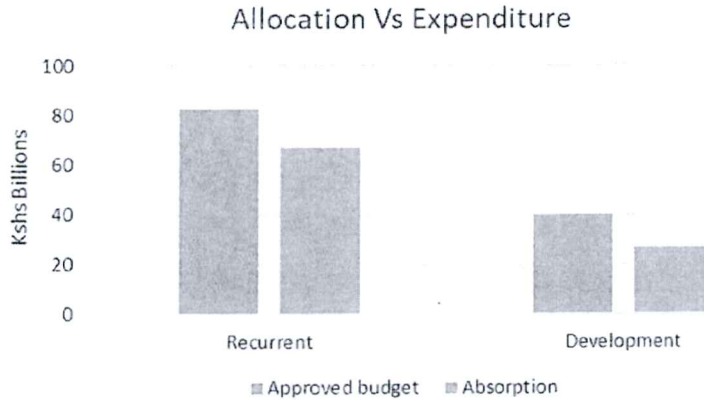


Chart 2 below presents the National Treasury total budget execution for the FY 2024/25.

**Chart 2: Allocation against Total Expenditure**



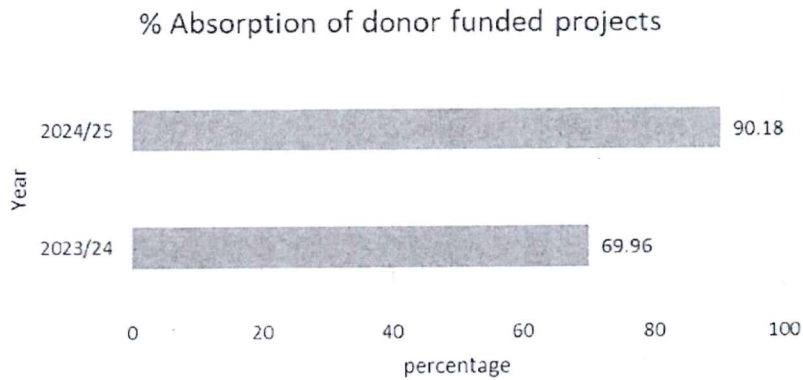
When disaggregated by recurrent and development expenditure, the budget execution indicates that the recurrent budget allocation of Ksh.66.99 billion was absorbed at 81.4% against an approved budget of 82.27 billion. This marked a decline from the absorption rate of 92.70% recorded in FY 2023/24.

On the other hand, development expenditure absorption was Ksh .26.51 billion against an allocation of Ksh 39.91billion recording an absorption rate of 66.52 %. The under absorption in development expenditure is attributed to exchequer challenges.

**Budget execution for externally funded resources for FY 2024/2025**

The externally funded projects recorded an absorption of Ksh. 29.61 billion against an allocation of Ksh. 32.84 billion translating to an absorption rate of 90.18%. This is a marked improvement from the 69.96% recorded in 2023/24. The improvement is attributed to increased commitments by donors. Absorption of Externally Funded Projects was affected by delays during preliminary processes e.g. in procurement resulting to delayed commencement. Also, delays in receiving of No Objection from Development Partners on implementation of most activities, inadequate GoK counterpart funding, budget cuts and weak performance by implementers as disbursement depends on milestones achieved.

**Chart 3: Budget execution for externally funded projects for FY 2024/25**



**Budget Execution by Programme**

The National Treasury implemented the 2024/25 FY budget within four economic programmes. These were: General Administration, Planning and Support Services; Public Financial Management; Economic and Financial Policy Formulation and Management; and Market Competition.

**Key Achievements under programmes**

The National Treasury registered Key Achievements during the Financial Year 2024/2025 as follows:

**Electronic Government Procurement (e-GP) System.** The National Treasury is set to fully roll out the system across all Procuring Entities within both the National and County Governments. This move is part of ongoing Public Finance Management Reforms aimed at enhancing efficiency, transparency, and value for money in public procurement. All Suppliers are required to Register for E-Government Procurement (e-GP) System by July 1, 2025. The implementation of the e-GP system follows a directive by His Excellency the President during the State of the Nation address delivered on 21st November 2024. In his speech, the President directed that the National Treasury to ensure the complete deployment of the e-GP system by the first quarter of 2025.

The National Treasury undertook training of users and suppliers in Q3 and Q4 of 2024/25 FY as shown in the summary table below:

	ITEM	Targeted figures	Number of Persons Trained	No of Procuring Entities benefitted	% achievement	Remarks
A	No.of Users Trained					
1	Ministries and State Departments	840	807	53	96%	All MDAs to have been trained by 30th June 2025
2	Counties and County Assemblies	705	700	46	99%	All County /County Assemblies to have been trained by 30th July 2025
3	State Corporations	6,400	3,297	306	52%	Webinnar Trainings (9th - 13th June, 2025)
	<b>Total</b>		<b>4804</b>	<b>405</b>		
B	Trainers of Trainers (ToTs)					
	Number of ToTs	160	60			New TOTs to be recruited in July 2025
C	Suppliers	Targeted Figures	No of Suppliers trained			
	No of Suppliers Trained	xxxxxxx	1,786			Suppliers to register for weekly webinars on the e-GP website
D	Registration of Procuring Entities	Targeted Figures	No of PEs Registered			
	No of PEs Registered	xxxxxxx xxx	358			Registration ongoing
E	NO. OF SUPPLIERS REGISTERED	Targeted Figures	No. of Registered Suppliers			
	TOTAL No of Suppliers Registered	xxxxxxx xxx	999			Suppliers to self-register on e-GP System

**General Administration, Planning and Support Services programme**, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;

**The Public Financial Management programme**, Total revenue collection by the end of June 2025, is estimated at KSh. 2,918.6 billion against a target of KSh 3,343.2 billion, resulting to a shortfall of KSh 424.6 billion. The shortfall was on account of below collection ordinary revenue of Ksh 497.0 billion. Ministerial A-I-A, however, was above the target collection by Ksh 72.5 billion. Total revenue inclusive of the ministerial A-I-A grew by 8.0 percent, an increase from a growth of 14.5 percent recorded in June 2024. Ordinary revenue collection in FY 2024/25 was KSh 2,420.2 billion against a target of KSh 2,917.2 billion, which was KSh 497.0 billion below the target.

The total expenditure and net lending for the period under review amounted to KSh 3,963.1 billion, against a target of KSh 3,992.0 billion. The resultant under expenditure of KSh 28.9 billion is attributed to below target absorption of development expenditures by the National Government.

Recurrent expenditure for National Government amounted to KSh 2,937.2 billion against a target of KSh 2,841.9 billion leading to a above target expenditure of KSh 95.2 billion. The below target expenditure in recurrent category is mainly attributed to above target expenditure on Operation and Maintenance (O&M) and domestic interest payments

**Economic and Financial Policy Formulation and Management programme**, the National Treasury developed the Framework for verification and payment of outstanding Contribution in Lieu of Rate (CILOR) for County Governments. In addition, the National Treasury implemented measures to attract three (3) NIFC firms. These include (i) facilitating discussions with regulators to introduce large scale global insurance provider into the market, (ii) collaborating with the Department of Immigration to facilitate fast-tracked investor and work permit issuance and (iii) supporting a foreign incoming Venture Capital firm with business registration.

**Mobilization of resources**, funds amounting to over Kshs 466,575 million were mobilized from external sources while domestic resources amounting to Kshs 294, 937 million from internal sources to support the budget.

**Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through the SAFER project transferred Kshs. 5.5 billion to Kenya Development Corporation (KDC) for onward lending to PFIs which will then lend to qualified MSMEs. With respect to access to justice, the National Treasury through the Competition Tribunal determined 100% of Appeals on Competition.

**Implementation of Digital Superhighway**, the National Treasury established Contact Centre Services to manage payment related queries from e-Citizen clients.

### **Emerging Issues**

The emerging issues that impacted on the operations the National Treasury include: -

- i. Technological advancement in the ICT sector present opportunities to leverage ICT innovations in the conduct of business as well as risks relating to governance and data security. As the financial systems increasingly go digital, there is the associated risks with cyber-attacks;
- ii. 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;
- iii. Green Finance: with climate change concerns, there is the pressing need to integrate environmental, social, and governance (ESG) considerations into fiscal policies and investments;
- iv. Development of Sector specific Project Appraisal Manuals continues to be a priority to guide sector specific analysis. The National Treasury is required to develop over 40 sector specific appraisal manuals to guide the over 40 sectors on the nuanced appraisal process; and

- v. Debt sustainability concerns. Ensuring that debt levels remain sustainable while funding essential services is a critical challenge that continues to face the National Treasury.

### **Challenges**

Some of the challenges the National Treasury faced while implementing the 2024/25 budget include:-

- i. Resource Constraint persisted and affected implementation of budgets;
- ii. The rationalization of the budget, occasioned by underperformance of revenue collection and emerging government priorities affected the implementation of programmes. In the FY 2024/25, the National Treasury faced a total revenue collection shortfall of KSh 424.6 billion on account of shortfalls in both ordinary revenue;
- iii. Shortage of Key Technical Staff continues to affect operational efficiency in the core mandate:
  - (a) 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 55% 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; and
  - (b) 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.
- iv. Civil unrest occasioned by regular protests disrupted implementation of various activities thus disrupting service delivery. Business investment were destroyed and life lost thus impacting heavily on economic development of the country.

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

- i. Raised domestic resources to support implementation of various ongoing programme through development of diverse methods for domestic resource mobilization;
- ii. Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions; and
- iii. Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

## Recommendations

In order to address the challenges and emerging issues, the following measures should be undertaken: -

- i. Sustain efforts for effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of the Bottom-Up Economic Transformation Agenda and emerging Government priorities. Key in this respect is the need for adequate resourcing of Kenya Revenue Authority to deploy innovative tax administration for efficient and optimal collection of taxes.

In addition, the National Treasury will leverage on the digitization of all critical Government processes with a view to bringing convenience to citizens and raising revenue efficiently for Government services that are paid for electronically;

- ii. Reforms in Public Financial Management and taxation should be sustained to enable the National Treasury expand the fiscal space and enhance absorption capacity. This includes reforming institutions and restructuring of parastatals to wean some from reliance on exchequer;
- iii. Strengthening Tax Administration, The National Treasury will enhance KRA's capacity to leverage on technology to seal leakages; enhancements of iTax and Integrated Customs Management System (iCMS); and use of e-TIMS (Tax Invoice Management System). These policy strategies will expand the primary surplus in the fiscal framework and stabilize the growth of public debt thereby boosting the country's debt sustainability position;
- iv. Continued implementation of succession planning, especially with respect to recruitment of key technical staff to achieve optimal staffing levels for enhanced operational efficiency;
- v. Strengthening Monitoring and Evaluation Framework and capacity through automation of the Planning and M&E processes;
- vi. Continued leveraging on ICT to ensure timely delivery of targets and foster efficiency; and
- vii. Implementing the recommendations arising from the 2023/24 project rationalization review to achieve optimal project portfolio and increase fiscal space.

Going forward, the National Treasury will support the Government's priority on scaling up efforts on policy interventions and structural reforms under BETA so as to navigate the global turbulence, accelerate economic recovery, and address overarching development challenges namely creating jobs, eradicating poverty and mitigating climate change. As part of the efforts, the National Treasury will accelerate investments in: (i) reforming markets (ii) domestic resource mobilization and application of those resources to development projects; (iv) reform and restructure of State-Owned Entities and (v) digitization of government services.

Signature 

Date 

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/ NATIONAL TREASURY

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR THE FY 2024/2025**

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

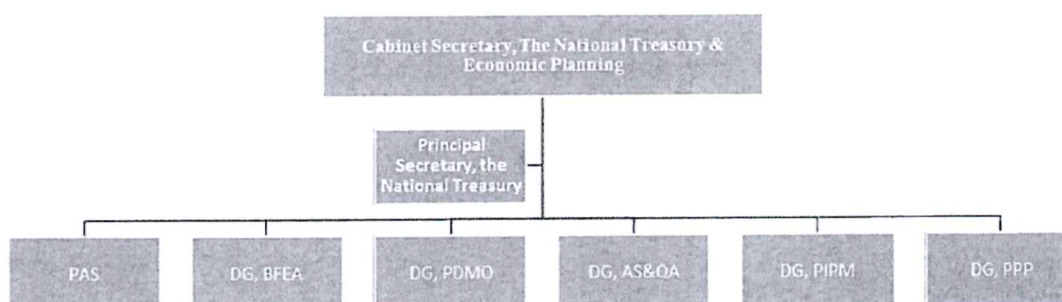
## 8. STATEMENT OF GOVERNANCE

### i. Brief of Key Leadership Structure

The National Treasury and Economic Planning is divided into three entities: The National Treasury, the State Department for Economic Planning and the State Department for Public Investment and Assets Management. 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 Directors General and a Principal Administrative Secretary who is responsible for Administration and Support Services.

### The National Treasury Leadership Structure



**PAS** : Principal Administrative Secretary, Directorate of Administrative Services;

**DG, BFEA**: Director General, Directorate of Budget, Fiscal and Economic Affairs;

**DG, PDMO** : Director General, Directorate of Public Debt Management Office;

**DG, AS&QA**: Director General, Directorate of Accounting Services & Quality Assurance;

**DG, PIPM**: Director General, Directorate of Public Investment & Portfolio Management;

**DG, PPP**: Director General, Directorate of Public, Private Partnership.

**Note:** The Directorate of Public Investment & Portfolio Management and Directorate of Public, Private Partnership have since been transferred to the State Department for Public Investment and Assets Management.

**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 2012, the National Treasury has established a Ministerial Audit Committee comprising of the Chairperson and four members, of which four are independent. The members were appointed on 15<sup>th</sup> 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 embarked on the development of its Risk Management Policy Framework. Risk Champions for all Directorates were appointed and trained and Risk registers have been developed.

**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 2025/26 and the medium term by holding both physical meetings and virtual hearings. The National Treasury provided an opportunity to all Kenyans across the country to interrogate the Public Finance Management Act 2012 Amendments that aimed at aligning the debt anchor to 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.

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In order to enhance compliance to existing legislations and regulations, the National Treasury, through the Legal Unit has lined up a series of interventions to be progressively implemented. To begin with, in the FY 2023/24, the National Treasury being a data recipient and a data controller, initiated efforts to ensure compliance to the Data Protection Act 2019 and the right to privacy as per Article 31 of the Constitution. The effort entailed undertaking a precursor training on data protection for auditees. The training benefited thirty-six (36) the National Treasury staff as part of the steps for comprehensive legal and regulatory compliance audit.

**9. MANAGEMENT DISCUSSION AND ANALYSIS**

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

**10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

## **11. OVERVIEW OF THE GOVERNMENT CLEARING AGENCY (GCA) ACCOUNT**

### **11.1 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.

### **11.2 Operation**

This account used to be operated within the National Treasury Deposit Bank Account. It did not operate a Separate Bank Account

### **11.3 Status of the Funds**

Government Clearing Agency fund is a dormant fund and the balances reflected in the funds financial statements have been brought forward for many years.

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The fund was wound up on 3<sup>rd</sup> April 2023. Revocation Orders were prepared and forwarded to the Attorney General for onward transmission to the National Assembly for approval. Approval is being awaited for.

## 12. 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, 2025. 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, 2025. 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 that Internal Control Systems are adequate and this is a dormant fund ear marked for Winding up and that some records are not available. 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 3<sup>rd</sup> April 2023.

### Approval of the Financial Statements

The Financial Statements were approved by on .....2025

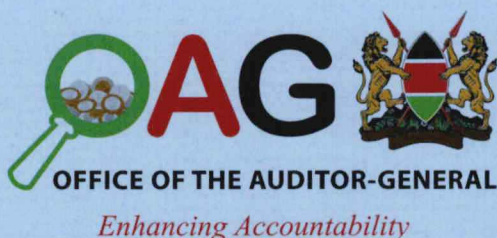
  
.....  
Dr. Chris Kiptoo, CBS.

Principal Secretary

25/8/2025  
  
.....  
George K. Gichuru  
ICPAK Member No. 9262  
Head of Accounting Unit

# REPUBLIC OF KENYA

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Email: 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, 2025 - 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 the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A disclaimer of opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. A disclaimer of opinion indicates that the financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an opinion on financial operations.

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 of the statement of financial position as at 30 June, 2025, 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 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 2023/2024 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 thirteen (13) 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, continuous preparation of financial statements for a dormant fund on a going concern basis contravenes the International Public Sector Accounting Standards.

## **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**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the 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 controls, risk management and governance.

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 the 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 financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk Management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 October, 2025

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025.**

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue- Non-Exchange Transactions</b>			
Transfers from Other Government Entities	6	Nil	Nil
<b>Total revenue</b>		<b>Nil</b>	<b>Nil</b>
<b>Expenditure</b>			
Transfers to Exchequer	7	Nil	Nil
<b>Total expenses</b>		<b>Nil</b>	<b>Nil</b>
<b>Surplus/Deficit for the year</b>		<b>Nil</b>	<b>Nil</b>
Remission to Treasury			
<b>Net deficit for the year</b>		<b>Nil</b>	<b>Nil</b>

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

The financial statements were approved on 25/6/25 by:

.....  
 Dr. Chris Kiptoo, CBS.

Principal Secretary

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

**15. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2025.**


	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets - Current Assets</b>			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	300,931,776	300,931,776
<b>Total Assets</b>		<b>300,931,776</b>	<b>300,931,776</b>
<b>Liabilities</b>			
Accounts Payable	10	52,973,897	52,973,897
<b>Net Assets</b>		<b>247,957,879</b>	<b>247,957,879</b>
<b>Represented by:</b>			
Accumulated Surplus		247,957,879	247,957,879
<b>Total Net Assets</b>		<b>247,957,879</b>	<b>247,957,879</b>

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 27/6/2025 and signed by:

  
 .....  
**Dr. Chris Kiptoo, CBS.**

**Principal Secretary**

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

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

	Accumulated Surplus	Total
	Kshs	Kshs
As at 1 July 2023	247,957,879	247,957,879
Surplus for the Year	Nil	Nil
<b>As at 30 June 2024</b>	<b>247,957,879</b>	<b>247,957,879</b>
<b>Balance as at 1 July 2024</b>	<b>247,957,879</b>	<b>247,957,879</b>
Net Surplus for the Year	-	-
<b>As at 30 June 2025</b>	<b>247,957,879</b>	<b>247,957,879</b>



Dr. Chris Kiptoo, CBS.

Principal Secretary




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

**17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2025**

	Notes	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from Operating Activities</b>			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
Payments		Nil	Nil
Transfer to Exchequer		Nil	Nil
Total Payments		Nil	Nil
<b>Net cash flows from Operating Activities</b>	11	Nil	Nil
Net Increase in Cash & Equivalentents		Nil	Nil
Cash & Equivalentents at 1 <sup>st</sup> July 2024	8	Nil	Nil
<b>Cash &amp; Equivalentents at 30<sup>th</sup> June 2025</b>	8	Nil	Nil

  
 .....  
 Dr. Chris Kiptoo, CBS.

Principal Secretary

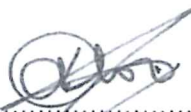
  
 .....  
 George K. Gichuru  
 ICPAK Member No. 9262  
 Head of Accounting Unit

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025**

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

**Budget Note:**

This is a dormant fund and did not have a budgetary allocation during the financial year.



.....  
 Dr. Chris Kiptoo, CBS.

Principal Secretary



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

## **19. Notes to the Financial Statements**

### **1. General Information**

This is a dormant fund and was wound up on 3<sup>rd</sup> 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

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1<sup>st</sup> January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>The standard has no impact on the entity</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1<sup>st</sup> January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>The standard has no impact on the entity</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1<sup>st</sup> January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <i>The standard has no impact on the entity</i>
IPSAS 46:	<i>Applicable 1<sup>st</sup> January 2025</i>

Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard has no impact on the entity</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard has no impact on the entity</i></p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The standard has no impact on the entity</i></p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The standard has no impact on the entity</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and</li> </ol>

	<p>measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><i>The standard has no impact on the entity</i></p>
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*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2024/2025

#### **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 2024-2025 was approved by the National Assembly in June 2024. 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 30, 2025

## **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.

### **a) 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

### **b) 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:

- i)** The condition of the asset based on the assessment of experts employed.
- ii)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii)** The nature of the processes in which the asset is deployed.
- iv)** Availability of funding to replace the asset.
- v)** Changes in the market in relation to the asset

**Note 6: Transfers From Other Government Entities**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Total</b>	Nil	Nil

**Note 7: Transfers/Expenses**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Total</b>	Nil	Nil

**Note 8: Cash and Cash Equivalents**

	2024-2025	2023-2024
	KShs	KShs
Cash in Bank		
<b>Total</b>	Nil	Nil

**Note 9: Account Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
See Annex V	300,931,776	300,931,776
<b>Total</b>	300,931,776	300,931,776

**Note 10 : Account Payable**

	2024-2025	2023-2024
	Kshs	Kshs
See Annex VI	52,973,897	52,973,897
<b>Total</b>	52,973,897	52,973,897

**Note 11: Cash From Operating Activities**

	2024-2025	2023-2024
	Kshs	Kshs
Net Surplus/Deficit for Year	Nil	Nil
Adjustments		
<b>Net Cash From Operating Activities</b>	<b>Nil</b>	<b>Nil</b>

**12. 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:

**a) 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.

**b) 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.

**c) 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.

### 13. Related Party Disclosures

#### a) 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;

#### b) Related party transactions

Transactions with related parties	2024-2025	2023-2024
	Kshs	Kshs
<i>There were no related party transactions</i>		
<b>Total</b>	-	-

### 14. Events after the Reporting Period

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

### 15. 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.

### 16. Currency

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

**20. 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)
Report of the Auditor General on The Accounts of the National Treasury funds Account for The Financial Year 2023/2024	<p>1. Unsupported Fund Balances</p> <p>2. Delay in Winding Up the Fund.</p>	<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 17<sup>th</sup> May 2019.</p> <p>The Management Re-submitted to the Attorney General the Revocation Orders vide letter Ref: MOF/AC/305C VOL.2(236) Dated 31<sup>ST</sup> March 2023. 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 fund was wound up on 3<sup>rd</sup> April 2023 and the books of accounts are in the process of being closed.</p> <p>The Management is awaiting revocation Orders to be approved by the National Assembly to enable closing books of accounts.</p>	<p>Within Financial Year 2025/2026</p>



Dr. Chris Kiptoo, CBS.

Principal Secretary



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

**Annex II: Inter-Fund Confirmation Letter**



**Name of transferring entity: Government Clearing Agency Fund**

**Name of beneficiary entity: Government Clearing Agency Fund**

Confirmation of amounts received by Government Clearing Agency Fund (Kshs) as at 30 <sup>th</sup> June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	1 <sup>st</sup> July 2024 to 30 <sup>th</sup> June 2025	-	-	Nil	Dormant fund
<b>Total</b>		-	-	Nil	Nil

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department – The National Treasury**

Name: George K. Gichuru      Sign .....  ..... Date .....  .....

**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

- This is a dormant fund and there was there was no expenditure relating to Climate category during the financial year.

**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

- This is a dormant fund and there was no expenditure relating to Disaster Management category.

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**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)
<b>Total</b>	<b>300,931,776.15</b>

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Government Clearing Agency  
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**Annex VI: Account Payable (Creditors)**

<b>Entity</b>	<b>Actual</b>
	<b>Kshs</b>
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
<b>Total</b>	<b>52,973,896.80</b>



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 cash books 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: 31<sup>st</sup> 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 24<sup>th</sup> 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 *Si unvashy*  
*[Signature]*

**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 ..... *3<sup>rd</sup> April* ....., 2023.

  
**NJUGUNA NDUNGU,**

*Cabinet Secretary for the National Treasury and Economic Planning.*