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Hon. Aken Dule on
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OFFICE OF THE AUDITOR-GENERAL *May 2*



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
TREASURY MAIN CLEARANCE FUND

FOR THE YEAR ENDED
30 JUNE 2016

THE NATIONAL TREASURY





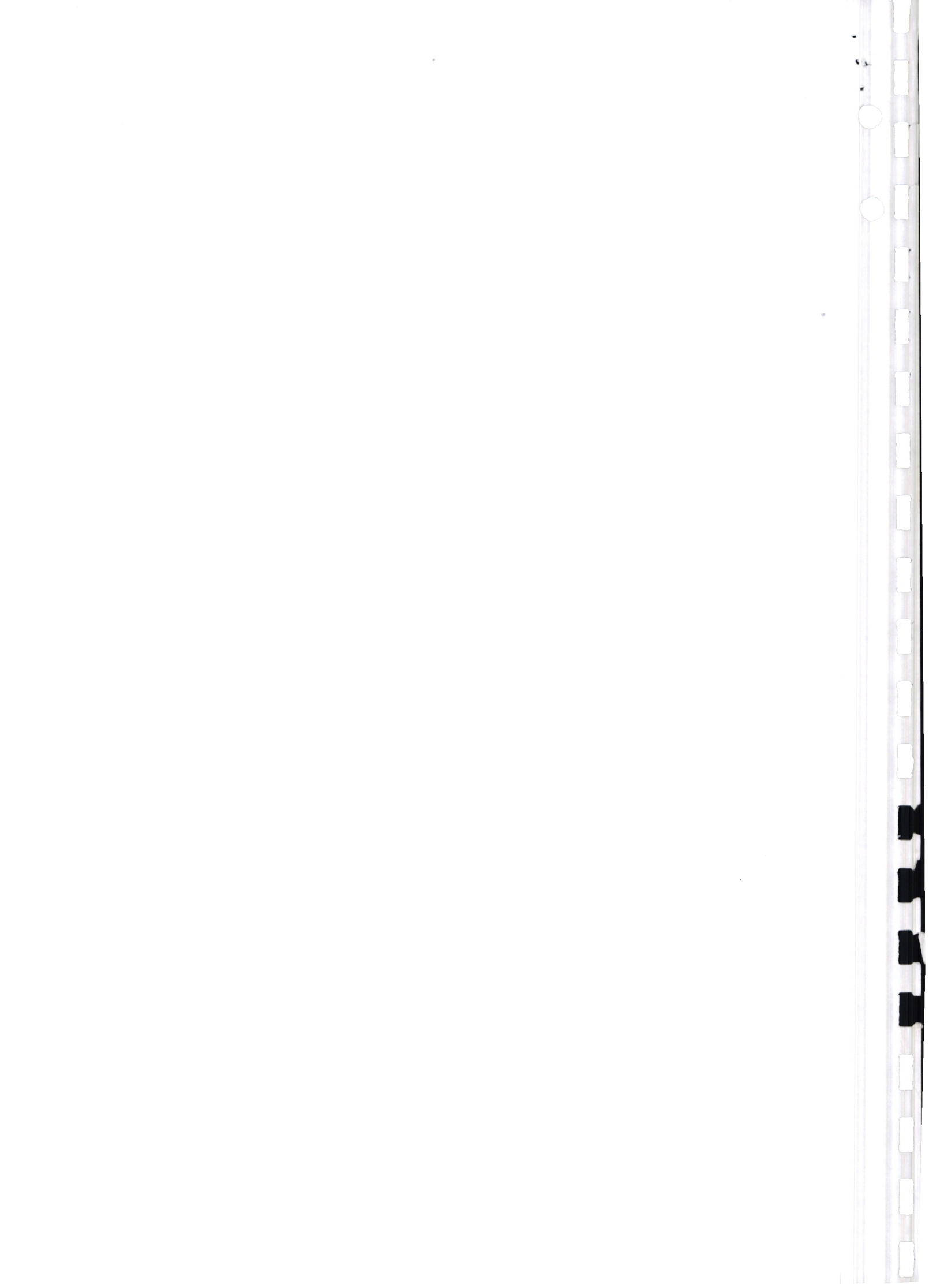
THE NATIONAL TREASURY

TREASURY MAIN CLEARANCE FUND (TMC)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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



**THE NATIONAL TREASURY
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)**

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**THE NATIONAL TREASURY
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)**

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

At Cabinet Level, the National Treasury is represented by the Cabinet Secretary for Finance, who is responsible for the general policy and strategic direction of the Ministry.

(b) Key Management

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

Office of the Principal Secretary

This office is responsible for the administration of the National Treasury for efficient delivery of public services that have been assigned to this Ministry. The Principal Secretary is also charged with the responsibility of rendering advice to the Cabinet Secretary in order to enhance efficiency and collective responsibility of the National Treasury.

Organizational structure of the National Treasury

The Ministry is organized into four (4) technical Directorates headed by Directors General and (1) Administrative and Support Services Directorate headed by a Principal Administrative Secretary. Each Director General is responsible for a Directorate comprising a cluster of Departments responsible for related policy functions. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

- Government Accounting Services;
- Internal Auditor Services Department;
- Financial Management Information Systems (FMIS)
- National Sub-County Treasuries.



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Directorate of Portfolio Management

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:

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

Directorate of Public Debt Management

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

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

Directorate of 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 eleven (11) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

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

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:-

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, AS&QA	Mr. Bernard Ndung'u
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Director General, PDMO	Mr. Wohoro Ndohho
7.	Ag. Director, Macro & Fiscal Affairs Department	Mr. Wanyambura Mwambia, OGW
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Ag. Director, Financial and Sectoral Affairs Department	Mr. Nzomo Mutuku
10.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	Internal Auditor General	Mr. Alfayo Mogaka
12.	Ag. Director, Accounting Services Department	Mr. Wala Jona
13.	Ag. Director, National Sub County Treasuries	Mr. Tom Khakhame
14.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
15.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
16.	Ag. Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
17.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
18.	Secretary/Director, Pensions Department	Mr. Shem Nyakutu
19.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui
20.	Director of Administration	Mr David Oleshege, OGW
21.	Head, Accounts Division	Mr. George K. Gichuru
22.	Head Finance Division	Mr. Kimathi Mugambi
23.	Head, Supplies Chain Management	Mr. Peter Momanyi
24.	Director, Human Resource Management and Development	Mrs. Susan Mucheru
25.	Head, Information Communication and Technology	Mr. Edward Rutere
26.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
27.	Head, Public Communications	Mr. Maina Kigaga
28.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(d) Fiduciary Oversight Arrangements

To manage the fiduciary risk, the National Treasury has put in place fiduciary oversight arrangements including setting up committees. The key oversight arrangements include: **Internal Audit Unit**
The National Treasury has a well-resourced internal Audit Unit. The Unit is charged with the responsibility of conducting risk based, value for money and systems audit, providing assurance that appropriate institutional policies, procedures and business practices are being followed; verifying the existence of assets administered by the Ministry, and evaluating the adequacy and reliability of



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information available to the management. The Unit reports directly to the accounting officers on a regular basis.

Audit Committee

The Audit Committee forms a key element in the governance process and its principle role is that of providing oversight of financial reporting, risk management and internal controls. The National Treasury established an audit committee comprising officers from all departments of the Ministry. The Committee reviews and analyses all audit queries and makes recommendations on how to reduce fiduciary risks. In addition, the committee ensures that audit queries and external audit recommendations are fully addressed.

Budget Implementation Committee

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

Monitoring and Evaluation

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

(e) The National Treasury Headquarters

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

(f) The National Treasury Contacts

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

(g) The National Treasury Banker

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

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084-00100
Nairobi, Kenya



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(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
Nairobi, Kenya

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the Country. As a result of consistent implementation of the bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.6 percent in 2015 compared to 5.3 percent growth in 2014. This strong growth was supported by positive growth in agriculture, forestry and fishing (4.8 percent), mining and quarrying (6.9 percent), electricity and water supply (8.5 percent), wholesale and retail trade (7.3 percent), accommodation and restaurant (12.1 percent) and information and communication (9.7 percent). Growth in other sectors, particularly manufacturing, construction, finance and insurance and real estate remained robust.

The annual inflation rate was 6.4 percent by June 2016 compared 6.5 percent in June 2015, and was therefore, within the current allowable margin of 2.5 percent on either side of the target of 5.0 percent. The Kenya shilling continued to display relatively less volatility compared with the major regional currencies due to improved Diaspora remittances and the narrowing of the current account deficit while official foreign exchange reserves held by the Central Bank grew to US\$ 7,648 million (equivalent to 5.1 months of import cover) by June 2016 from US\$ 7,212 million (4.5 months of import cover) in June 2015.

In budget performance, the National Treasury expenditure stood at **Kshs.38,523,924,151** against an approved budget of **Kshs.40,667,213,863** in recurrent while Development expenditure stood at **Kshs.43,832,593,224** against an approved budget of **Kshs.45,836,475,797** giving an overall absorption rate of 95.2%.

Other key achievements during the year under review are:-

- The National Treasury mobilized external resources amounting to Kshs.366.67 billion. This included Kshs.320.23 billion in loans and Kshs.46.44billion in grants.
- The National Treasury continued to support Kenya Revenue Authority to achieve its target in revenue collection and simplification of the tax system. This included the implementation of the *i-tax* platform.
- In its commitment to deepen the Financial Markets, the Ministry finalized the Financial Services Authority bill and disseminated to stakeholders for comments and prepared the draft Nairobi International Financial Centre Bill.



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- The National Treasury developed a pipeline of 65 bankable Public Private Partnership projects ready for investment. Other achievements in promoting PPP include continuous financial, technical and legal support to MDAs in the preparation of PPP projects, development of standardized documentation framework to support implementation of PPP and development of a template on PPP project submission.
- The National Treasury continued to build capacity on Public Financial Management in Ministries, Departments, Agencies as well as County Governments. 1,297 officers were trained over the financial year 2015/16 across the country.

Some of the challenges the National Treasury faced while implementing the budget 2015/16 include:-

1. Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
2. Inadequate funds to finance all the programmes and projects of the National Treasury.
3. Low absorption of Official Development Assistance (ODA).
4. Slow enactment of relevant regulation and related legal instruments to facilitate financial sector deepening.
5. High turnover of staff especially in the core technical areas of the National Treasury.

To surmount the above challenges and ensure successful implementation of the National Treasury goals and objectives, the Ministry will:-

1. Continue to maintain a prudent fiscal stance consistent with the medium-term debt targets while pursuing a shift in the composition of expenditure towards development priorities.
2. Strengthen capacity building in public financial management to MDAs and County Governments to ensure that the high expectations linked to devolution are met.
3. Enhance the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
4. Ensure constant collaboration between the National Treasury and all the Stakeholders.
5. Promote the Public Private Partnership initiatives to finance government capital projects.
6. Engage other developments partners for concessional loans and grants as well as pursue strategies to facilitate issuance of international bonds to finance government projects.
7. Fast track and implement the proposed new scheme of service for the National Treasury officers to retain staff.


HENRY K. ROTICH, EGH
CABINET SECRETARY

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III. STATEMENT OF NATIONAL TREASURY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government NATIONAL TREASURY shall prepare financial statements in respect of that NATIONAL TREASURY. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

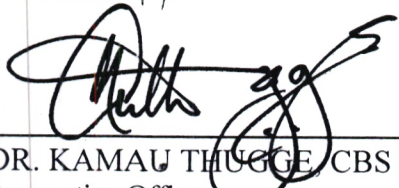
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Treasury Main Clearance (TMC) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.


The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Main Clearance (TMC) report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2016. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Treasury Main Clearance Fund was approved and signed by the Accounting Officer on
30/9/2016


DR. KAMAU THUGGE CBS
Accounting Officer


GEORGE K. GICHURU
Head of Accounting Unit

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR - GENERAL ON THE TREASURY MAIN CLEARANCE FUND FOR THE YEAR ENDED 30 JUNE 2016 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Treasury Main Clearance Fund set out on pages 9 to 27, which comprise the statement of financial position as at 30 June 2016, and the statement of receipts and payments and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Accounting Officer- National Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditor- General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are

Report of the Auditor General on the Financial Statements of Treasury Main Clearance Fund for the year ended 30 June 2016- The National Treasury

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Treasury's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Basis for Qualified Opinion

1. Accounts Receivables- Debtors

The Treasury Main Clearance Fund statement of financial position as at 30 June 2016 reflects an accounts receivables-debtors balance of Kshs.12,503,607,445.65, which includes an amount of Kshs.2,332,170,394.25 (as summarized below), that has not been analyzed:

Description of Account	Balance (Kshs)
003- National Treasury	7,913,690.15
013- Police Headquarters	170,879.35
019-O.O.P-Imigration Department	433,000.25
021- Pension Department	(21,572,019.85)
032- Remittance to Crown Agent	2,341,896,517.60
049- Ministry of Planning	1,712,108.85
054-Remittance to Karachi Agent	132,319.40
055-Remittance to Bombay Agent	454,920.15
058-Flourspar Company Ltd	1,028,978.35
Total	2,332,170,394.25

Consequently, the completeness and accuracy of the balance could not be ascertained. Further, no reason has been provided for the inordinate delay in recovery of debts totalling to Kshs.12,503,607,445.65 which have been due for many years.

2. Accounts Payables- Creditors

The statement of financial position also reflects an accounts payables- creditors balance of Kshs.12,490,478,940.70, which includes amounts of Kshs. 523,686.45 under PMG Special Account, Kshs.2,285,511,054.15 under Advance Deposits, Kshs.29,963,830.85 under Advance Deposits – Ministry of Information and Communications and Kshs. 93,454.55 under JCF Interest all brought forward from 2014/2015 and earlier years. However, and as reported in the previous years, these amounts have not been analyzed or supported with relevant documents. Consequently,

the completeness and accuracy of the Creditors balance of Kshs.12,490,478,940.70 as at 30 June 2016 could not be ascertained.

3. Deficit Balance Brought Forward

The statement of financial position further reflects a brought forward balance of Kshs.(871,495.05) which as reported in the previous year differs from the calculated balance of Kshs.2,949,863.30 being the difference between the amounts received totalling Kshs.10,174,386,914.70 and the payments made totalling Kshs.10,171,437,051.40 captured in underlying records. The difference has not been reconciled or explained thus casting doubt on the accuracy of the Treasury Main Clearance Fund statement of financial position as at 30 June 2016.

4. Winding Up of the Fund

Although the Treasury Main Clearance Fund is in the process of being wound up in line with the Public Accounts Committee recommendations and Treasury instructions on the requirement to wind up dormant Funds, evidence showing the extent, to which the winding up process of the Fund had reached as at 30 June 2016 was not presented for audit. As a result, it has not been possible to ascertain the status of the fund.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Treasury Main Clearance Fund as at 30 June 2016, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Public Finance Management Act, 2012.



FCPA Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi


17 March 2017


THE NATIONAL TREASURY
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 FOR THE YEAR ENDED JUNE 30, 2016

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015-2016 Kshs	2014-2015 Kshs
TAX REVENUES			
Taxes on Income, Profits and Capital Gains		-	-
Taxes on Property		-	-
Taxes on Goods and Services		-	-
Taxes on International Trade & Transactions		-	-
Other Taxes		-	-
TOTAL TAX REVENUE		-	-
NON TAX REVENUES			
Fees on use of Goods/Services		-	-
Social Security Contributions		-	-
Property Income		-	-
Fines, Penalties and Forfeitures		-	-
Other Receipts – Treasury Main Clearance Account (TMC)		-	-
Sale of Goods and Services		-	-
Receipts from Sale of Non-Financial Assets		-	-
TOTAL NON TAX REVENUE		-	-
TOTAL REVENUE COLLECTED		-	-
PAYMENTS TO CREDITORS		-	-
BALANCE BROUGHT FORWARD	14	(871, 495.05)	(871,495.05)
BALANCE CARRIED FORWARD		(871,495.05)	(871,495.05)

The accounting policies and explanatory notes to this Treasury Main Clearance Fund form an integral part of the Fund statement. This Fund statement was approved on 30/9 2016 and signed by:

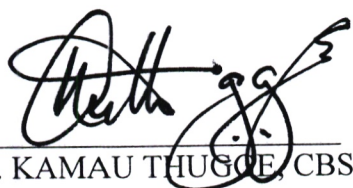

 DR. KAMAU THUGGE, CBS
 Accounting Officer



 GEORGE K. GICHURU
 Head of Accounting Unit

THE NATIONAL TREASURY
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VI. STATEMENT OF FINANCIAL POSITION	Note	2015-2016 Kshs	2014-2015 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances		-	-
Cash Balances		-	-
Total Cash and cash equivalent		-	-
Accounts receivables - Debtors	3	12,503,607,445.65	12,503,607,445.65
TOTAL FINANCIAL ASSETS		<u>12,503,607,445.65</u>	<u>12,503,607,445.65</u>
FINANCIAL LIABILITIES			
Accounts Payables – Creditors	4	<u>12,490,478,940.70</u>	<u>12,490,478,940.70</u>
NET FINANCIAL ASSETS		<u>13,128,504.95</u>	<u>13,128,504.95</u>
REPRESENTED BY			
Fund balance b/fwd	5	14,000,000.00	14,000,000.00
Surplus/Deficit b/fwd	14	(871,495.05)	(871,495.05)
NET FINANCIAL POSITION		<u>13,128,504.95</u>	<u>13,128,504.95</u>

The accounting policies and explanatory notes to this Treasury Main Clearance Fund form an integral part of the Fund statement. This Fund statement was approved on 30/9 2016 and signed by:


 DR. KAMAU THUGOE, CBS
 Accounting Officer


 GEORGE K. GICHURU
 Head of Accounting Unit

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 FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)

VII. STATEMENT OF CASH FLOW

	Note	2015-2016	2014-2015
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues		-	-
Social Security Contributions		-	-
Proceeds from Domestic and Foreign Grants		-	-
Transfers from National Treasury		-	-
Transfers from Other Government Entities		-	-
Reimbursements and Refunds		-	-
Returns of Equity Holdings		-	-
Other Revenues		-	-
		-	-
Payments for operating expenses			
Compensation of Employees		-	-
Use of goods and services		-	-
Subsidies		-	-
Transfers to Other Government Units		-	-
Other grants and transfers		-	-
Social Security Benefits		-	-
Finance Costs, including Loan Interest		-	-
Other Expenses		-	-
		-	-
Adjusted for:			
Changes in receivables		-	-
Changes in payables		-	-
Adjustments during the year		-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-

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CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		-	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		-	-

VIII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *National Treasury* and all values are in Kenya Shillings (KShs). The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *National Treasury*.

2. Recognition of Revenue

The *National Treasury* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *National Treasury*.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in to these revenue statements.

4. Comparative Figures

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

5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2016.

THE ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2016 (KSHS)

IX. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Bank Balances

	Original Estimates	Revised Estimates	Actual	% Realized
			KSHS.	
Bank Balance			-	
Balance brought forward			-	
Transfers to the Exchequer account			-	
Balance carried forward			-	

Commentary on Actual Revenue against the Revised Estimates

N/A

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2. Cash Balances

	Original Estimates	Revised Estimates	Actual	% Realized
			KSHS.	
Balance brought forward			-	
Transfers to the Exchequer account			-	
Balance carried forward			-	

Commentary on Actual Revenue against the Revised Estimates

N/A



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3. Accounts Receivables - Debtors

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

Commentary on Actual Revenue against the Revised Estimates

N/A



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FINANCIAL STATEMENTS
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4. Accounts Payables - Creditors

ANALYSIS OF CREDITORS	Original Estimates	Revised Estimates	Actual	% Realized
			KSHS.	
026 P.M.G Special			523,686.45	
036 Advance Deposits			2,285,511,054.15	
7310101 Advance Deposits			10,174,386,914.70	
8820 Advance Deposits – Min. of Information			29,963,830.85	
051 J.C.F Interest			93,454.55	
TOTAL			12,490,478,940.70	

Commentary on Actual Revenue against the Revised Estimates

N/A

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5. Fund Balance b/fwd.

	Original Estimates	Revised Estimates	Actual	% Realized
			KSHS.	
Capital Fund			20,000,000.00	
LESS. Reduction to Development Exchequer- 1958/59			6000,000.00	
Balance			14,000,000.00	

Commentary on Actual Revenue against the Revised Estimates

N/A



6. FEES ON USE OF GOODS AND ON PERMISSION TO USE GOODS OR TO PERFORM SERVICES AND ACTIVITIES

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Interest Received	-		-	
Licences under Traffic Act	-		-	
Licenses under the Communication Act	-		-	
Petroleum Development Levy (PDL)	-		-	
Roads Maintenance Levy (RML)	-		-	
Total Fees	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A



**THE NATIONAL TREASURY
FINANCIAL STATEMENTS
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7. SOCIAL SECURITY CONTRIBUTIONS

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Contributions from Government Employees to Social and Welfare Schemes within Government	-		-	
Total Contributions	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A

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8. PROPERTY INCOME

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Interest	-		-	
Dividends from Central Bank of Kenya (CBK)	-		-	
Other Profits and Dividends	-		-	
Surplus funds from Regulatory Authorities	-		-	
Rent of Land	-		-	
Rent of Government Buildings and Housing	-		-	
Total Property Income	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A

**TREASURY MAIN CLEARANCE FUND (TMC)
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9. FINES, PENALTIES AND FORFEITURES

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Fines, Penalties and Forfeitures and Other Charges	-		-	
Total Income	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A



10. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Miscellaneous Revenue - (Treasury Main Clearance Account (TMC))	-		-	
Sundry Revenue	-		-	
Total Revenue	-		-	
Balance brought forward	-		-	
Payments to creditors	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A

11. SALE OF GOODS AND SERVICES

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
Administrative Fees and Charges	-		-	
Incidental Sales by Non-Market Establishments	-		-	
Sale of Tender Documents	-		-	
Total Revenue	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A

**THE NATIONAL TREASURY
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12. RECEIPTS FROM SALE OF NON FINANCIAL ASSETS

	Original Estimates	Revised Estimates	Actual	% Realized
			KSHS	
Receipts from the Sale of Buildings	-		-	
Receipts from the Sale of Vehicles and Transport Equipment	-		-	
Receipts from the Sale of Inventories, Stocks and Commodities	-		-	
Receipts from the Sale of Intangible Non-Produced Assets	-		-	
Total Revenue	-		-	
Balance brought forward	-		-	
Transfers to the Exchequer account	-		-	
Balance carried forward	-		-	

Commentary on Actual Revenue against the Revised Estimates

N/A

13. BALANCES CARRIED FORWARD

This is a dormant Fund and the figures presented have been carried forward for many years. The Fund is among the ones intended to be wound up through the National Treasury taskforce on winding up of Dormant Fund.



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14. STATEMENT OF ARREARS OF TREASURY MAIN CLEARANCE AS AT 30TH JUNE 2015

ANALYSIS OF BALANCE B/F			KSHS.	Total Arrears –(KSHS)
ASSETS - Sundry Debtors			-	12,503,607,445.65
Financed by:			-	-
LIABILITIES:				
Capital Fund			20,000,000.00	-
Payments to Development Exchequer 1958/59			(6,000,000.00)	
Balance			14,000,000.00	-
Sundry Creditors			12,490,478,940.70	12,504,478,940.70
Deficit C/F				(871,495.05)

