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THE AUDITOR-GENERAL

ON

**GOVERNMENT CLEARING AGENCY
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**

THE NATIONAL TREASURY



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THE NATIONAL TREASURY
GOVERNMENT CLEARING AGENCY
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30th JUNE 2024

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 30th June 2024

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1. ACRONYMS AND GLOSSARY OF TERMS

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

2. NATIONAL TREASURY INFORMATION AND MANAGEMENT

a) Background Information

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

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;
- Teamwork and commitment;

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.2 of 2023. 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 Multilateral Financial Relations;
- vii. Capital Markets Policy;
- viii. Oversight over Revenue Collection;
- ix. Competition Policy Management; National Pensions Policy Management;
- x. Insurance Policy and Regulation;

- xi. Public Procurement and Disposal Policy;
- xii. Public Investment Policy and Oversight;
- xiii. Development and Enforcement of Financial Governance Standards;
- xiv. Financial Sector Analysis and Management including SACCOs, NSSF and NHIF;
- xv. Financial Institutions Oversight;
- xvi. Management of National and County Governments Financial Management System and Standards;
- xvii. Development of Kenya as an International Financial Centre;
- xviii. Anti-Money Laundering Policy;
- xix. Custodian of National Government Assets and Properties; and
- xx. Secretariat to Intergovernmental Budget and Economic Council.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to: -

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

(b) Key Management

The National Treasury'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 five (5) 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 Auditor General, headed by Directors and a Public Finance Management Secretariat headed by a Programme Coordinator. The Directorates and Departments are as follows:

Directorate of Budget, Fiscal and Economic Affairs

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

- (a) Budget Department;
- (b) Macro and Fiscal Affairs Department;
- (c) Financial and Sectoral Affairs Department; and
- (d) Inter-Governmental Fiscal Relations Department.

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Public Investment and Portfolio Management

The Directorate is headed by a Director General, reporting to the Principal Secretary. It is organized into the following 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 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);
- (c) Debt Recording and Settlement (Back Office).

Directorate of Public Private Partnership

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

Directorate of Administrative and Support Services (Common Shared Services)

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into ten (10) specialized functions offering common shared services. The common shared services of the National Treasury consist of functions that are not core to the National Treasury but offer critical support services to the National Treasury. The functions include:

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Principal Secretary	Dr. Chris Kiptoo, CBS
2.	Principal Administrative Secretary	Mr. Samson Wangusi, OGW
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Mr. Lawrence Kibet
6.	Director General, PDMO	Dr. Haron Sirma, EBS
7.	Director General, PPP	Mr. Christopher Kirigua, OGW
8.	Director, Macro and Fiscal Affairs Department	Mr. Musa Kathanje
9.	Director, Budget Department	Mr. Francis Anyona, OGW
10.	Director, Financial and Sectoral Affairs Department	Mr. Ronald Inyangara
11.	Director, Public Procurement Department	Mr. Eric Korir
12.	Director, Intergovernmental Fiscal Relations Department	Mr. Samuel Kiptorus
13.	Ag. Internal Auditor General	Ms. Jane Micheni
14.	Director, Government Accounting Services Department	Mr. Jona Wala
15.	Director, National Sub County Treasuries	Mr. Francis Kariuki, OGW
16.	Ag. Director, Integrated Financial Management Information System	Mr. Mboni Kyallo
17.	Director, National Assets and Liability Management	Mr. Geoffrey Malombe
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Michael Kagika, EBS
20.	Director, Parastatal Reforms	Dr. Karen Kandie, DBA
21.	Ag. Director, Public Investment Management Unit	Mr. Jonah Ourumoi
22.	Ag. Director, Resource Mobilization Department	Mr. David Komen
23.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
24.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
25.	Director Administration	Mr. Elijah Song'ony
26.	Director Accounting Service/Head, Accounts Division	Mr. George K. Gichuru
27.	Head, Finance Unit	Mr. Ambrose Ogango
28.	Senior Deputy Director/Head, SCMU	Mr. Caleb Ogot
29.	Deputy Internal Auditor General/Head, Internal Audit Unit	Ms. Lucy Mugwe

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30.	Principal State Counsel, Legal Unit	Ms. Faith Pesa
31.	Director, Human Resource Management and Development	Mr. Benson Giuthua
32.	Director, Information Communication and Technology	Ms. Lynn Nyongesa
33.	Director, Central Planning and Project Monitoring Department	Mr. John Olela
34.	Director, Public Communications Unit	Mr. Godfrey Isiya
35.	Programme. Coordinator, Public Financial Management Reform Secretariat	Mr. Joel Bett

(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:

i. Audit Committees

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

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

i. Public Finance Management Committees

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

ii. 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 2023/24.

iii. Other oversight activities

Other fiduciary oversight arrangements include the following committees with specific objectives:-

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

To effectively manage Official Development Assistance to the Government, the National Treasury has, under the Public Debt Management, a department responsible for all matters relating to Development Partners. The Department has various Units that coordinate different development partner activities in the Country.

Public Financial Management Sector Working Group

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

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 28th May, 2024 to

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Annual Reports & Financial Statements for the year ended 30th June 2024

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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The National Treasury Bankers

Central Bank of Kenya
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Independent Auditors

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Office of the Auditor General
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Principal Legal Adviser

The Attorney General
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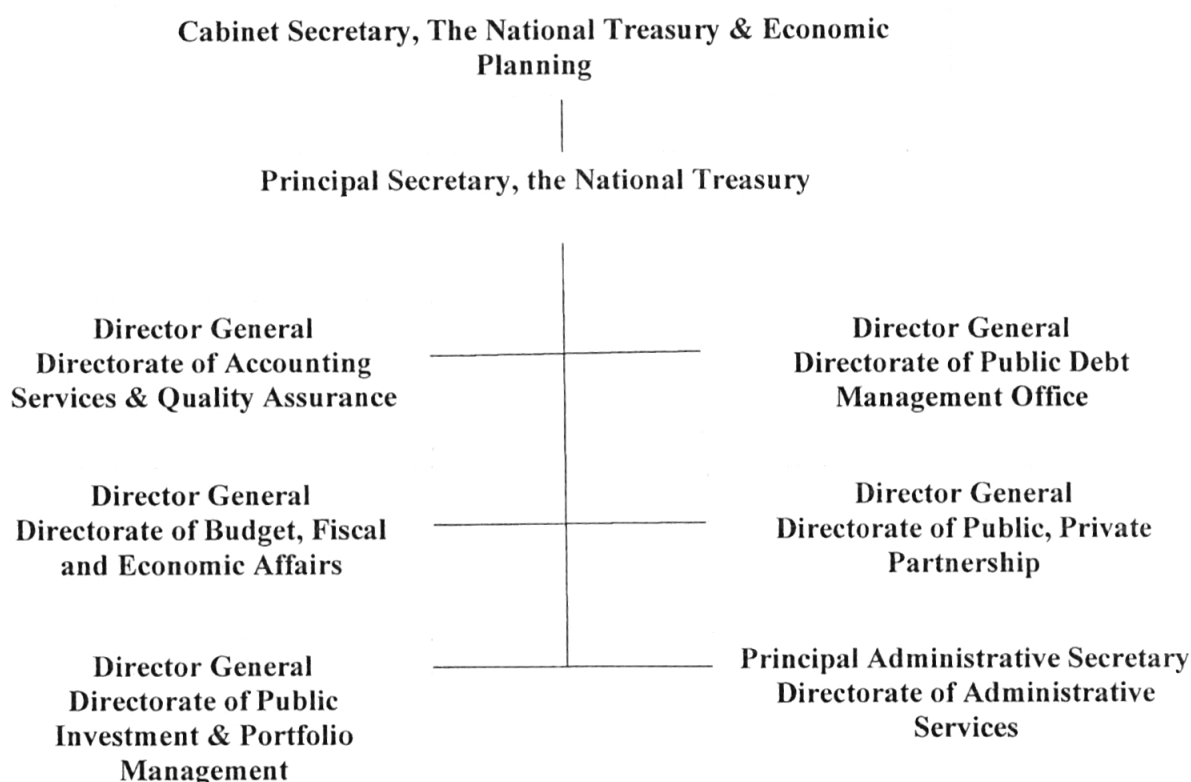
3. STATEMENT OF GOVERNANCE

(i) Brief of Key Leadership Structure

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

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

The National Treasury Leadership Structure



(ii) Management Committees Established and Their Roles

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

Top Management Committee

Top Management Committee comprises of Cabinet Secretary, Principal Secretary and Directors General. The Committee receives reports from departments, build consensus on

National Treasury responds to emerging issues, challenges and risks and ensures that the decisions made are implemented in a timely manner.

(iii) The Audit Committee

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

The Committee provides overall oversight and quality assurance including follow up on the effectiveness of implementation of audit recommendations. The Committee is active and meets on a quarterly basis to deliberate on their functions.

(iv) Risk Management, compliance, conflict of interest

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

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

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

(vi) Public participation activities

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

(vii) Compliance with laws and regulations

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

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.

The next step will involve undertaking legal and regulatory compliance of the Public Finance Management and Regulations in the FY 2024/25 and thereafter compliance audit.

4. STATEMENT BY THE CABINET SECRETARY

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

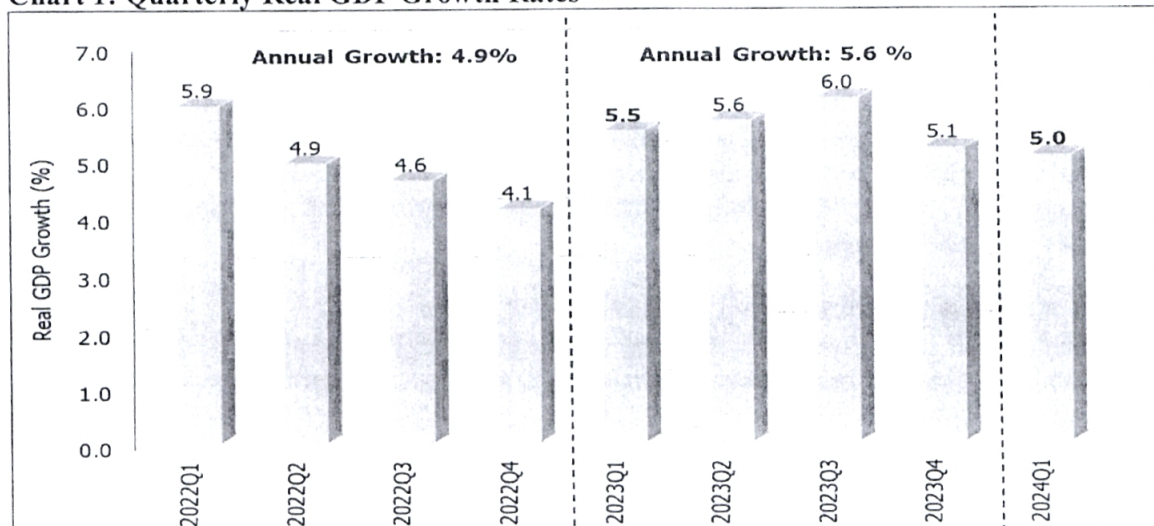
The FY 2023/24 marked the second year following the transition from the previous administration to the current one. The FY 2023/24 was manifested by accelerated implementation of programmes. However, revenue performance into the year fell short of target resulting in deployment of austerity measures and reprioritizations of activities.

Economic Growth

The economy grew by 5.6 percent in 2023 up from 4.9 percent in 2022, a demonstration of resilience and the beginning of economic recovery. The growth in 2023 is above the pre-pandemic average of 4.7 percent per year for the period between 2011-2019. The growth was largely driven by a strong rebound in the agricultural subsector, which benefited from favorable weather conditions after two years of severe droughts and the robust performance of the services sector. However, manufacturing and wholesale and retail trade subsectors slowed down.

This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter compared to a growth of 5.5 percent in the corresponding quarter in 2023 (Chart 1). The growth is largely driven by strong growth in agriculture supported by favorable weather conditions and government interventions. Additionally, services sector remained resilient with real estate, financial & insurance, ICT and accommodation & food services supporting the growth.

Chart 1: Quarterly Real GDP Growth Rates



Source of Data: Kenya National Bureau of Statistics

The primary sector grew by 5.0 percent in the first quarter of 2024 compared to a growth of 5.3 percent in the first quarter of 2023. This was as a result of the robust growth in the agriculture, forestry and fishing sub-sector despite a contraction in the mining and quarrying sub sector. Activities in the agriculture, forestry and fishing sub-sector expanded by 6.1 percent in the first quarter of 2024 compared to a growth of 6.4 percent in a similar quarter in 2023(**Table 1**). The performance of the sector was attributed to favorable weather conditions as well as government interventions that led to enhanced production. The performance was evident in the significant increase in production of tea, milk and sugarcane during the quarter under review. However, the sector's performance was somewhat curtailed by decline in exports of coffee, fruit and cut flowers.

Mining and quarrying sub-sector contracted by 14.8 percent in the first quarter of 2024 compared to a contraction of 11.0 percent over the same period in 2023. This was due to a decline in production of most minerals such as titanium, soda Ash and gemstone.

Industrial sector performance remained subdued, with growth of the sector slowing down to 1.1 percent in the first quarter of 2024 from a growth of 2.5 percent in a similar quarter of 2023. This was mainly on account of a decline in activities in all its sub-sectors i.e. the manufacturing, electricity & water supply and construction subsectors.

Manufacturing sub-sector expanded by 1.3 percent in the first quarter of 2024 compared to 1.7 percent growth in the corresponding quarter of 2023. In the manufacture of food products, growth was supported by tea and dairy processing despite the decline in soft drink production. In the manufacture of non-food products, cement production declined. Electricity and water supply sub-sector also recorded a decelerated growth of 2.4 percent in the first quarter of 2024 compared to a growth of 3.7 percent in the corresponding quarter of 2023. The sector's growth was supported by an increase in hydroelectric power generation and a decrease in thermal power generation.

Activities in the construction sub-sector registered a decelerated growth of 0.1 percent, down from the 3.0 percent growth recorded in the first quarter of 2023. The slowdown was reflected in the decline in the volume of cement consumption and imported bitumen. However, the volume of iron and steel imported increased during the review period.

The **activities in the services sector** continued to sustain strong growth momentum in the first quarter of 2024 and grew by 6.2 percent compared to a growth of 6.5 percent in a similar period in 2023. The performance was largely characterized by significant growths in: accommodation and food service; financial and insurance; information and communication; real estate and wholesale and retail trade sub-sectors. Accommodation and food service activities sustained the growth momentum that started in the 2022 recovery from the effects of COVID-19 pandemic even though this growth was slower compared to the corresponding quarter of 2023. The sub-sector grew by 28.0 percent compared to a growth of 47.1 percent recorded in the first quarter of 2023. The growth was evidenced by a significant increase in the number of visitor arrivals through the two major airports, the Jomo Kenyatta International Airport (JKIA) and Mombasa International Airport (MIA).

Financial and insurance sub-sector grew by 7.0 percent in the first quarter of 2024 compared to 5.9 percent in the corresponding quarter of 2023 while information and communication subsector grew by 7.8 percent compared to a growth of 9.5 percent, over the

same period. Growth in the information and communication sub-sector was supported by increased voice traffic, internet use and mobile money despite a decline in the use of domestic Short Messaging Services (SMSs).

Activities in Transportation and Storage sub-sector slowed down to a growth of 3.8 percent in the first quarter of 2024 compared to a growth of 6.6 percent in a corresponding period in 2023. The growth in the sector was mainly supported by increased activities in Mombasa Port throughout and an increase in the number of international passenger arrivals and departures. However, growth in the sector was curtailed by a decline in the number of passengers transported via Standard Gauge Railway (SGR). Consumption of light diesel which is a key input to land transportation also declined during the period.

Table 1: Sectoral Real GDP Growth rate (Percent)

Sectors	Annual Growth Rates		Quarterly Growth Rates	
	2022	2023	2023 Q1	2024 Q1
1. Primary Industry	(0.8)	5.6	5.3	5.0
1.1. Agriculture, Forestry and Fishing	(1.5)	6.5	6.4	6.1
1.2 Mining and Quarrying	9.3	(6.5)	(11.0)	(14.8)
2. Secondary Sector (Industry)	3.5	2.5	2.5	1.1
2.1. Manufacturing	2.6	2.0	1.7	1.3
2.2. Electricity and Water supply	5.5	2.8	3.7	2.4
2.3. Construction	4.1	3.0	3.0	0.1
3. Tertiary sector (Services)	6.6	6.8	6.5	6.2
3.1. Wholesale and Retail trade	3.5	2.7	2.9	4.9
3.2. Accommodation and Restaurant	26.8	33.6	47.1	28.0
3.3. Transport and Storage	5.8	6.2	6.6	3.8
3.4. Information and Communication	9.0	9.3	9.5	7.8
3.5. Financial and Insurance	12.0	10.1	5.9	7.0
3.6. Public Administration	5.1	4.6	7.6	5.8
3.7. Others	5.3	6.1	5.7	5.9
of which: Professional, Admin & Support Services	9.4	9.4	8.6	9.9
Real Estate	4.5	7.3	7.3	6.6
Education	5.2	3.1	2.0	4.0
Health	3.4	4.9	5.1	5.5
Taxes less subsidies	6.7	2.2	3.0	4.7
Real GDP	4.9	5.6	5.5	5.0

Source of Data: Kenya National Bureau of Statistics

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

In the FY 2023/24, the fiscal balance (on commitment basis and excluding grants) amounted to KSh.952.9 billion (5.9 percent of GDP) against a targeted deficit of KSh. 963.5 billion (6.0 percent of GDP). The fiscal balance (on a commitment basis and including grants) stood at 5.8 percent of GDP against a target deficit of 5.7 percent of GDP.

Total revenue collection by the end of June 2024, amounted to KSh. 2,702.7 billion against a target of KSh. 2,907.5 billion. The revenue was below target by KSh. 204.9 billion on account of shortfalls recorded in both ordinary revenue and ministerial A-I-A. Total revenue inclusive of the ministerial A-I-A grew by 14.5 percent, an increase from a growth of 7.3 percent recorded in June 2023. Ordinary revenue collection was KSh.2,288.9 billion against a target of KSh.2,576.8 billion, KSh.287.8 billion below the target.

The ministerial A-I-A collected was below target by KSh.57.1 billion during the period under review. The underperformance of A-I-A was mainly due to underreporting of SAGAs’ A.I.A through the Ministerial expenditure returns for the period under review. The Railway Development Levy collection amounted to KSh.66.1 billion against a target of KSh.66.5 billion.

The total expenditure and net lending for the period under review amounted to KSh.3,655.6 billion, against a target of KSh.3,971.5 billion. The resultant under expenditure of KSh.215.5 billion is attributed to lower absorption recorded in recurrent and development expenditures by the National Government and below target equitable share transfers to the County Governments. Recurrent expenditure for National Government amounted to KSh.2,644.6 billion (excluding KSh. 59.7 billion for Parliament and Judiciary) against a target of KSh.2,716.9 billion leading to a below target expenditure of KSh.72.7 billion. The below target expenditure in recurrent category is mainly attributed to below target expenditure on Operation and Maintenance (O&M) and pension payments.

Inflation

The overall year-on year inflation is under control and within the Government target range of 5 ± 2.5 percent. Inflation declined to 4.6 percent in June 2024 from 7.9 percent in June 2023, due to easing of food and energy prices (**Chart 2**). The appreciating Shilling produced a strong pass-through effect of lowering domestic prices supported by a tight monetary policy stance. Additionally, interventions by Government in providing subsidized fertilizer and seeds continue to lower the cost of food production, and revitalize agricultural production.

Chart 2: Inflation Development

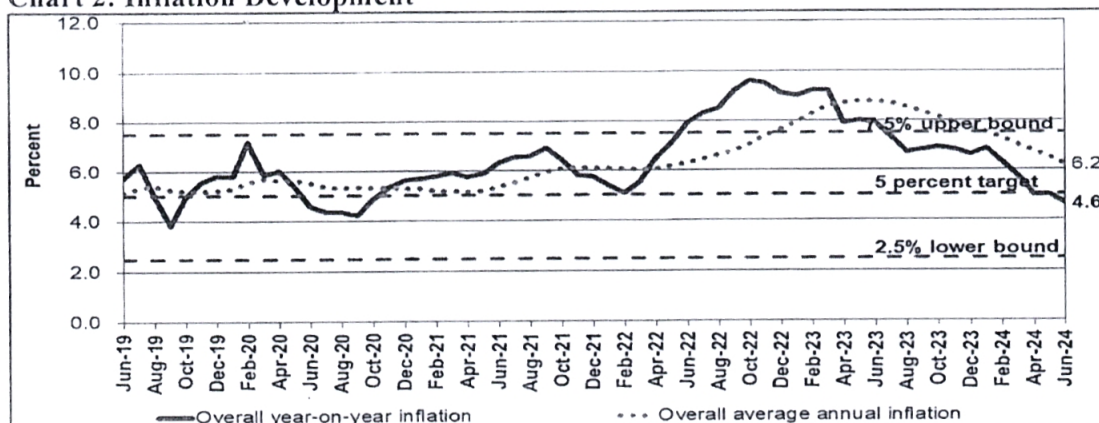
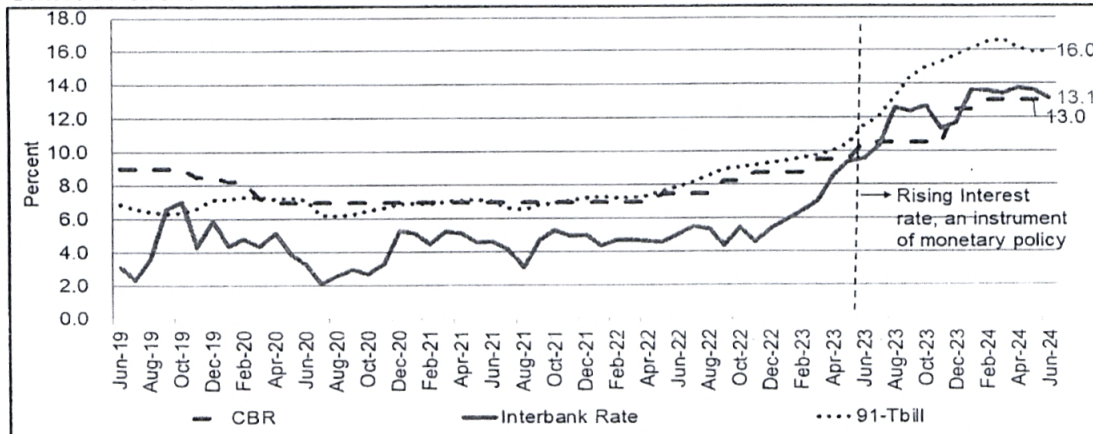


Chart 3: Short-Term Interest Rates



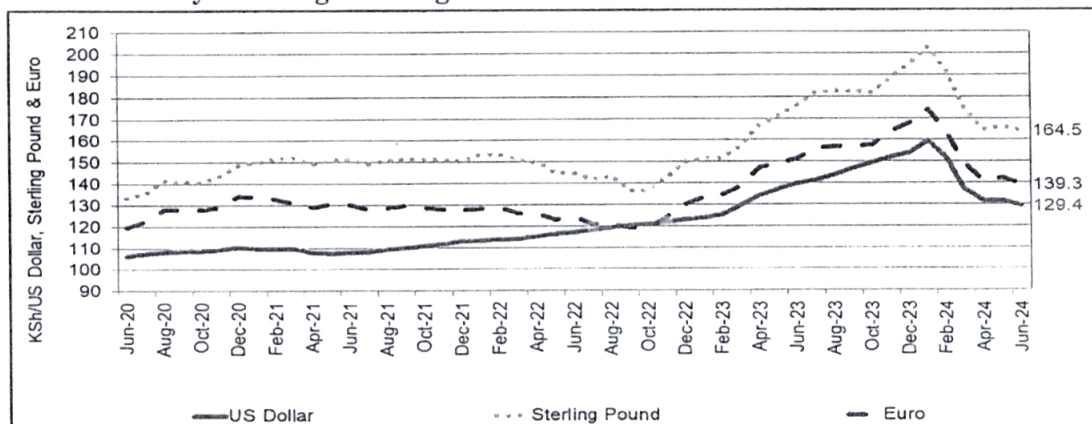
Source of Data: Central Bank of Kenya

Exchange Rates

The Kenya Shilling exchange rate has stabilized against major international currencies. By end June 2024, the exchange rate against the US dollar was KSh.129.4 compared to KSh.160.8 by end January 2024, an appreciation of 19.0 percent. Against the Euro, the Kenya shilling also strengthened by 20.1 percent to exchange at KSh.139.3 by end June 2024 compared to KSh.174.3 by end January 2024 while against the Sterling Pound the Kenyan Shilling strengthened by 18.9 percent to exchange at KSh.164.5 compared to KSh.202.9, over the same period (Chart 4a).

Through the repayment of the 2024 Eurobond, the Government successfully removed the investor uncertainty and market perception improved significantly. The appreciation and stability of the exchange rate has created confidence and triggered inflows of foreign direct investment and attracted investors to the Nairobi Securities Exchange. This appreciation has helped to reduce debt service costs, improve performance of domestic borrowing and stabilize interest rates.

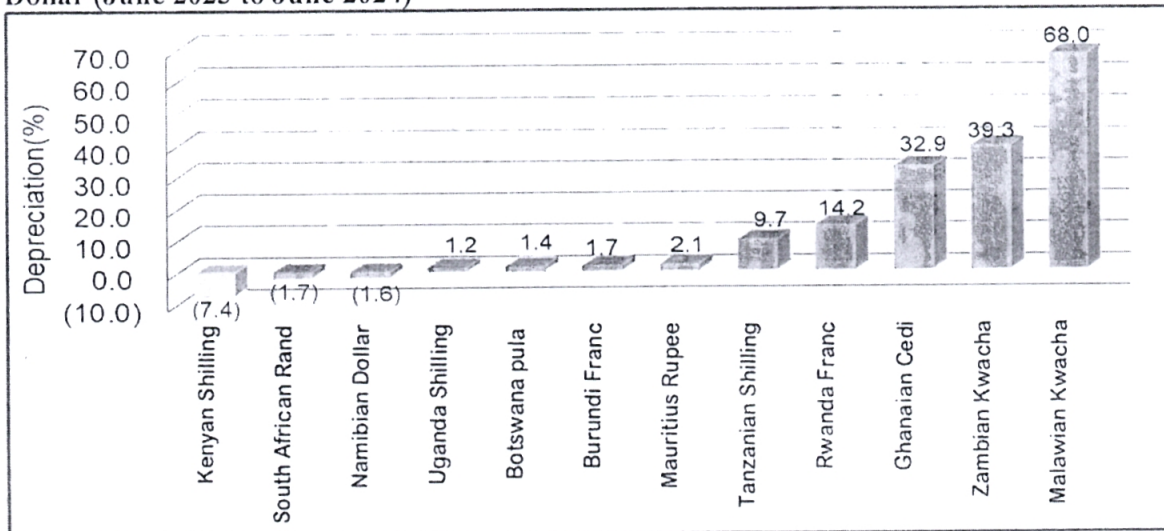
Chart 4a: Kenya Shilling Exchange Rate



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 strengthened against the US Dollar at a rate of 7.4 percent in the 12 months to June 2024 compared to depreciations of 19.1 percent in the 12 months to June 2023 (Chart 4(b)). The stability of the Kenyan Shilling was 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: Rwanda Franc, Ghanaian Cedi, Zambian Kwacha and Malawian Kwacha had double-digit depreciation rates (chart 4b).

Chart 4b: Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June 2023 to June 2024)



Source of Data: National Central Banks

Pending Bills

The total outstanding national government pending bills as at 30th June, 2024 amounted to KSh.516.3 billion. These comprise of KSh.379.8 billion (73.6 percent) and KSh.136.5 billion (26.4 percent) for the State Corporations (SCs) and Ministries/State Departments/other government entities respectively. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, pension arrears for Local Authorities Pension Trust, and others. The highest percentage of the SCs pending bills (71.5 percent) belong to Contractor/Development Projects and Suppliers. Ministries/State Departments and other government entities pending bills constitutes mainly of the historical ones.

The National Government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the National Government over the medium term. In this strategy, deficiencies and lapses that led to accumulation of pending bills will be addressed. This is being undertaken through the Pending Bills Verification Committee Gazetted in September 2023. In the FY 2024/25 all MDAs are expected to clear all the expenditure carryovers from FY 2023/24 as a first charge before payment of commitments in the current financial year.

Bottom-Up Economic Transformation Agenda (BETA)

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

These include: -

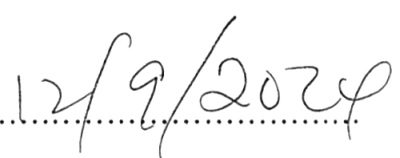
- i. Agricultural Transformation;
- ii. Micro, Small and Medium Enterprise (MSME);
- iii. Housing and Settlement;
- iv. Health care; and
- v. Digital superhighway and Creative Industry.

Fiscal policy for f/yr 2024/2025 and the medium-term budget aims to support the Bottom-Up Economic Transformation Agenda (BETA) through a growth friendly fiscal consolidation plan. The consolidation will be supported by enhanced revenue mobilization, rationalization and prioritization of expenditure while protecting essential social and development budget. As part of the process, the Government has embarked on the implementation of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) that will further strengthen tax revenue mobilization efforts over the medium term.

Signature.....

HON. CPA JOHN MBADI, EGH
CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

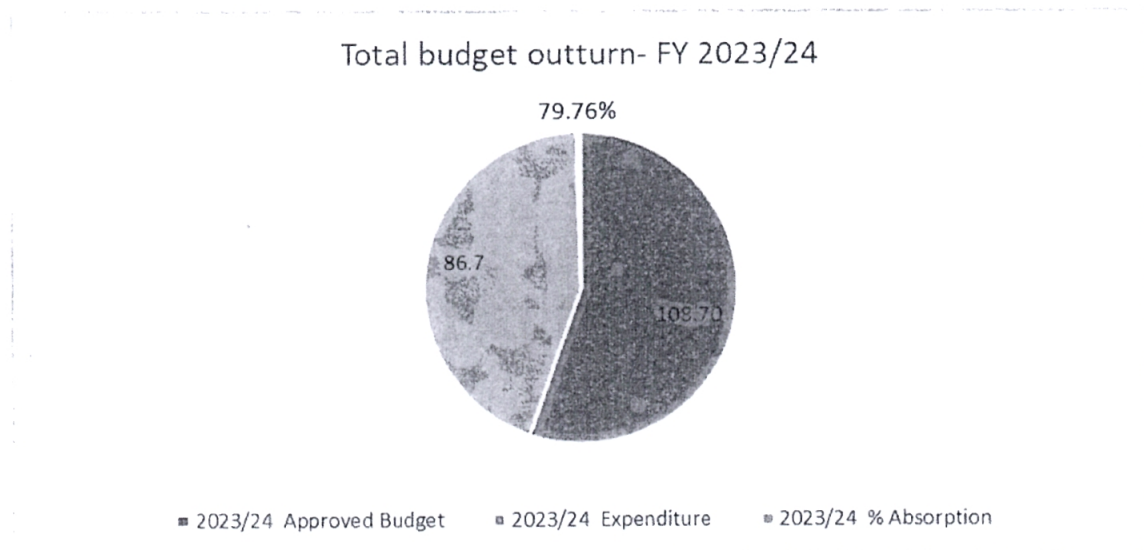
Date

5. STATEMENT BY THE PRINCIPAL SECRETARY

Budget performance

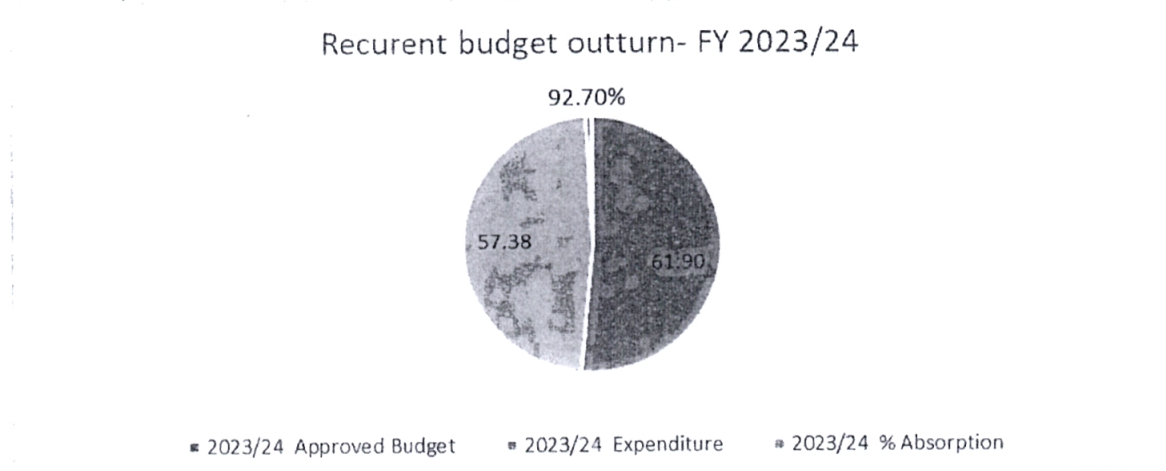
The National Treasury expenditure for the FY 2023/24 stood at KSh.86.7 billion against an approved budget of KSh.108.7 billion translating to an overall absorption rate of 79.76 percent as demonstrated in the pie chart below. This translates to an improvement of 10.33 percent from 69.43 63% recorded in the financial year 2022/23. Chart 2 below presents the National Treasury total budget execution for the FY 2023/24.

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



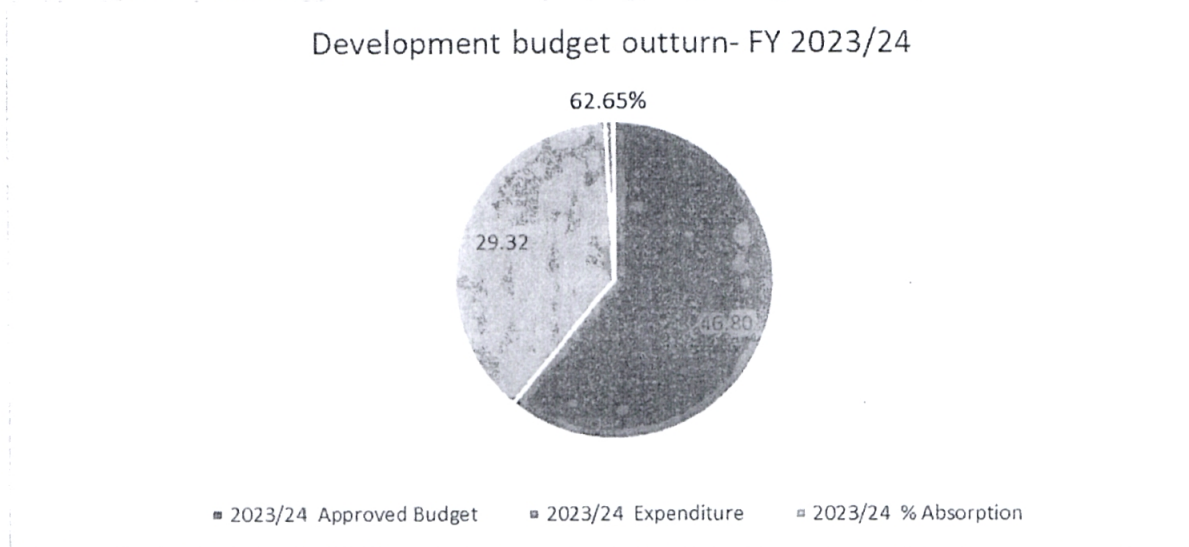
When disaggregated by recurrent and development expenditure, the budget execution indicates that recurrent expenditure stood at KSh.57.38 billion in the FY 2023/24 against an allocation of KSh. 61.90 billion translating to 92.70 % absorption rate as shown in Chart 3 below. This was an improvement from the absorption rate of 78.05 recorded in FY 2022/23.

Chart 3: National Treasury recurrent budget execution for the FY 2023/24 (KSh. Billions)



On the other hand, development expenditure absorption was KSh .29.32 billion against an allocation of KSh 46.80 billion recording an absorption rate of 62.65% as illustrated in Chart 4 below. The under absorption in development expenditure is attributed to exchequer challenges.

Chart 4: Presents the National Treasury development budget execution for the FY 2023/24 (KSh. Billions)

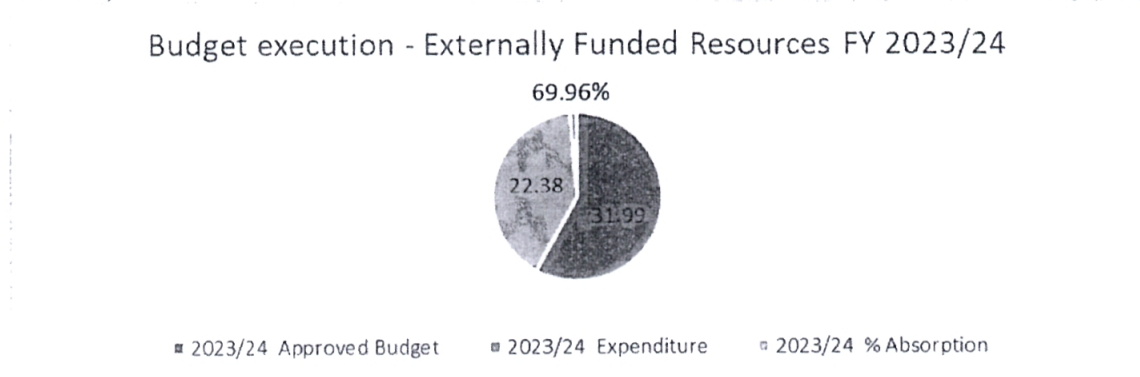


Budget execution for externally funded resources for FY 2023/2024

The externally funded projects recorded an absorption of KSh. 22.38 billion against an allocation of KSh. 31.99 billion translating to an absorption rate of 69.96 per cent. This is a marked improvement from the 29.24%. recorded in 2022/23. The improvement is attributed to increased commitments by donors. However, differences in accounting periods between GoK and Donor continues to affect appropriate recording of absorption since budget outturn are characterised by reporting lags where expenditures may have occurred at the delivery source but not captured in the reporting system in real time as appropriate.

Chart 6 below presents the budget execution for externally funded resources for the FY 2023/24.

Chart 6: Budget execution for externally funded resources for FY 2023/24 (KSh. Billions)

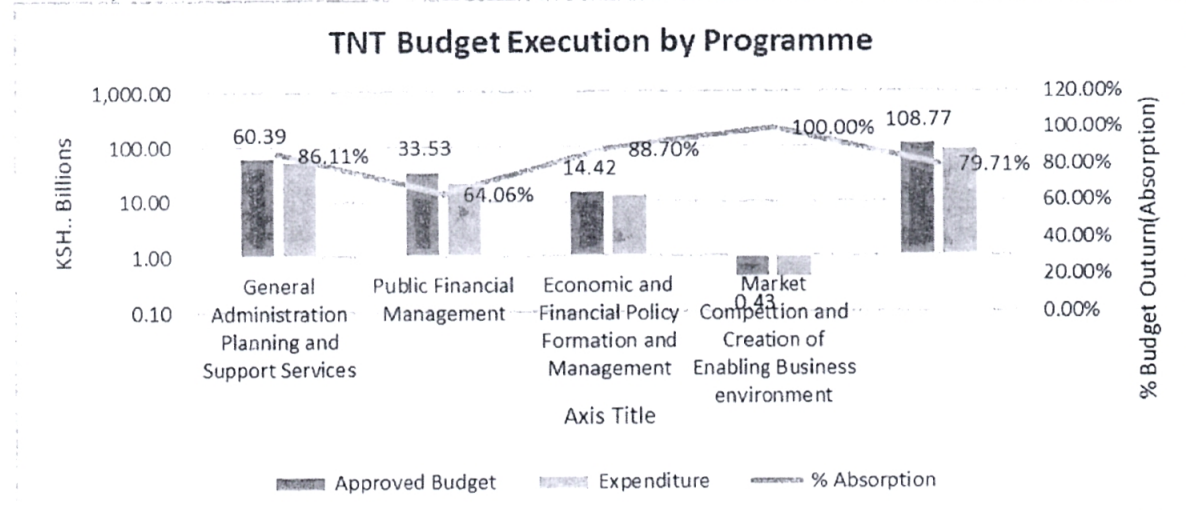


Budget Execution by Programme

The National Treasury implemented the 2023/24 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.

As demonstrated in the chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 100 percent followed by Economic and Financial Policy Formulation and Management at 88.70 percent, General Administration at 86.11 percent, Public Financial Management at 64.06 percent. Chart 7 below illustrates the National Treasury budget execution by programme for the FY 2023/24.

Chart 7: Budget execution (KSh. Billions) and proportion (%) by Programme (KSh. Billions) for the FY 2023/24



Key Achievements under programmes

The National Treasury registered Key Achievements during the Financial Year 2023/2024. They include:

- i. **Under General Administration, Planning and Support Services programme**, the National Treasury leased 3,546 security vehicles for the National Police Service towards enhancing security;
- ii. **Under the Public Financial Management programme**, despite not meeting revenue targets in absolute terms, total revenue collection grew by 14.5 per cent an increase from a growth of 7.3 per cent recorded in June 2023. National Treasury mobilized a total of KSh.4.3 billion worth of private capital that reached financial closure under Public Private Partnerships; registered 21,335 AGPO Enterprises against a target of 20,000; digitized an additional 13,500 government services from 4,500 recorded in 2023; and conducted 240 Value for Money Audits;
- iii. **Under 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; and
- iv. **Under Market Competition and Creation of an Enabling Business Environment programme**, the National Treasury through Competition Authority of Kenya determined 93% of merger and acquisitions applications and concluded 95% of Cases of Deterrence of Abuse of Buyer Power. With respect to access to justice, the National Treasury through the Competitional Tribunal determined 100% of Appeals on Competition.

Highlights of Bottom-UP Economic Transformation Agenda achievements for the 2023/24 Financial year

No.	BETA Milestone Achieved	2022	2023	% Change	Comments
(a)	Established the Financial Inclusion Fund (Hustler Fund) under the Section 24 (4) of the PFM Act.	-	-	-	The fund will enhance financial access to Micro and Small Enterprises at affordable rates
(b)	Support of Government-to-Government framework for Importation of Petroleum	-	-	-	Provided the Letter of Support to facilitate the implementation of importation of Petroleum through the Government to Government (G-to-G) arrangement with the Government of the United Arab Emirates (UAE). This was aimed at easing the pressure on the monthly demand for USD.
(c)	Ensuring sustainability of State Corporations	-	-	-	Prepared the Privatization Bill, 2023 which is aimed at encouraging more participation of the private sector in the economy. Ownership Regulations have been developed to guide management of commercial state corporations.

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 2023/24 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 2023/24, the National Treasury faced a total revenue collection shortfall of KSh. 204.9 billion on account of shortfalls in both ordinary revenue and ministerial A-I-A;
- 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 58% This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives; 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.

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 should 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 should enhance KRA's capacity to leverage 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



Date10/9/24.....

DR. CHRIS KIPTOO, CBS

PRINCIPAL SECRETARY/ NATIONAL TREASURY

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2023/24

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

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

9.1 Background of the Fund

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

Currently its functions are;

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

9.2 Operation

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

10. Statement of Management Responsibilities

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

The Accounting Officer of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. 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, 2024. 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 3rd April 2023.

Approval of the Financial Statements

The Financial Statements were approved by on 16/9/24.....2024

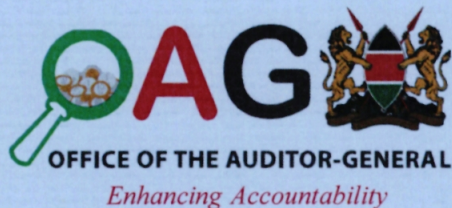

.....
Dr. Chris Kiptoo, CBS.

Principal Secretary


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

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GOVERNMENT CLEARING AGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2024 - 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; and,
- 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 15, which comprise of the statement of financial position as

at 30 June, 2024, 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 2022/2023 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 twelve (12) years. The National Treasury formed a task force on the winding up of dormant funds which included the Government Clearing Agency Fund. Further, The National Treasury, in consultation with the Attorney General developed a Cabinet Memorandum on winding up of the dormant funds. This effort resulted to drafting of the Revocation Orders which were approved by the Cabinet and later forwarded to the Attorney General for onward transmission to the National Assembly. Even though the orders were forwarded to the Attorney General on 12 April, 2021 and a resubmission done on 31 March, 2021, evidence was not provided that the Repeal Act had been passed by the National Assembly.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of the 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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework 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 IFPP 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 Gatirigu, CBS
AUDITOR-GENERAL

Nairobi

31 October, 2024

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2024.

	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue- Non-Exchange Transactions			
Transfers from Other Government Entities	6	Nil	Nil
Total revenue		Nil	Nil
Expenditure			
Transfers to Exchequer	7	Nil	Nil
Total expenses		Nil	Nil
Surplus/Deficit for the year		Nil	Nil
Remission to Treasury			
Net deficit for the year		Nil	Nil


The notes set out on pages 6 to 14 form an integral part of these financial statements.

The financial statements were approved on 16/9/24 by:



 Dr. Chris Kiptoo, CBS.

Principal Secretary



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

13. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024.

	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets - Current Assets			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	300,931,776	300,931,776
Total Assets		300,931,776	300,931,776
Liabilities			
Accounts Payable	10	52,973,897	52,973,897
Net Assets		247,957,879	247,957,879
Represented by:			
Accumulated Surplus		247,957,879	247,957,879
Total Net Assets		247,957,879	247,957,879


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

The entity financial statements were approved on 16/9/2024 and signed by:



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

Principal Secretary



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

14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2024

	Accumulated Surplus	Total
	Kshs	Kshs
At July 1, 2022	247,957,879	247,957,879
Surplus for the Year	Nil	Nil
At June 30, 2023	247,957,879	247,957,879
At July 1, 2023	247,957,879	247,957,879
Net Surplus for the Year	-	-
At June 30, 2024	247,957,879	247,957,879



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

Principal Secretary



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

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2024

	Notes	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from Operating Activities			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
Payments		Nil	Nil
Transfer to Exchequer		Nil	Nil
Total Payments		Nil	Nil
Net cash flows from Operating Activities	11	Nil	Nil
Net Increase in Cash & Equivalents		Nil	Nil
Cash & Equivalents at 1 st July 2023	8	Nil	Nil
Cash & Equivalents at 30 th June 2024	8	Nil	Nil



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

Principal Secretary




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


16/9/2024

16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

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



 Dr. Chris Kiptoo, CBS.
 Principal Secretary



 George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit
 16/9/2024

17. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of The Government Clearing Agency

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

3. Adoption Of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There are no new standards effective in the FY.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 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	Applicable 1st January 2025 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	Applicable 1st January 2025 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:	Applicable 1st January 2025

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Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value. <i>The standard has no impact on the entity</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1st 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. <i>The standard has no impact on the entity</i></p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st 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. <i>The standard has no impact on the entity</i></p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st 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. <i>The standard has no impact on the entity</i></p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2023/2024

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 2023-2024 was approved by the National Assembly in June 28, 2023. 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, 2024

1. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Note 6: Transfers From Other Government Entities

	2023-2024	2022-2023
	Kshs	Kshs
Total	Nil	Nil

Note 7: Transfers/Expenses

	2023-2024	2022-2023
	Kshs	Kshs
Total	Nil	Nil

Note 8: Cash and Cash Equivalentents

	2023-2024	2022-2023
	KShs	KShs
Cash in Bank		
Total	Nil	Nil

Note 9: Account Receivables

	2023-2024	2022-2023
	Kshs	Kshs
See Annex V	300,931,776	300,931,776
Total	300,931,776	300,931,776

Note 10 : Account Payable

	2023-2024	2022-2023
	Kshs	Kshs
See Annex VI	52,973,897	52,973,897
Total	52,973,897	52,973,897

Note 11: Cash From Operating Activities

	2023-2024	2022-2023
	Kshs	Kshs
Net Surplus/Deficit for Year	Nil	Nil
Adjustments		
Net Cash From Operating Activities	Nil	Nil

Financial Risk Management

The Agency activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

ii) Liquidity risk management

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

iii) Capital Risk Management

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

Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

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

Transactions with related parties	2023-2024	2022-2023
	Kshs	Kshs
<i>There were no related party transactions</i>		
Total	-	-

Surplus Remission

The Agency is not required remit surpluses to the consolidated Fund

Events after the Reporting Period

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

Ultimate and Holding Entity

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


Currency

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


18. Annexes

Annex 1: Progress on Follow up of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report of the Auditor General on The Accounts of the National Treasury funds Account for The Financial Year 2022/2023	<ol style="list-style-type: none"> 1. Unsupported Fund Balances 2. Delay in Winding Up the Fund. 	<p>This is a dormant fund and it is in the process of being wound up. The National Treasury sought and got legal opinion and recommendations from the Attorney General vide his letter Ref.AG/CONF/6/E/170 VOL II (5) of 17th May 2019.</p> <p>The Management Re-submitted to the Attorney General the Revocation Orders vide letter Ref: MOF/AC/305C VOL.2(236) Dated 31ST March 2023.</p> <p>The fund account consists of old balances which have been carried forward for many years. The bill to clear these old balances from the books is before parliament and once passed, these would be cleared and the books of Accounts closed.</p>	The fund was wound up on 3 rd April 2023 and the books of accounts are in the process of being closed	Within Financial Year 2024/2025



 Dr. Chris Kiptoo, CBS.
 Principal Secretary




 George K. Gichuru
 ICPAK Member No. 9262
 Head of Accounting Unit
 16/9/2024

Annex II: Inter-Fund Confirmation Letter

The Government Clearing Agency Fund wishes to confirm the amounts disbursed as at 30th June 2024 as indicated in the table below.

Confirmation of amounts received by The Government Clearing Agency Fund as at 30 th June 2024							
Reference Number	Date Disbursed	Amounts Disbursed by The Government Clearing Agency Fund (KShs) as at 30 th June 2024				Amount Received by The Government Clearing Agency Fund (KShs) as at 30 th June 2024 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	1 st July 2023 To 30 th June 2024	-	-	Nil	Nil	Nil	
Total				<u>Nil</u>	Nil	Nil	

I confirm that there was no disbursement made during the financial year.
Head of Accounts Department:
 Name: George K. Gichuru Sign  Date 16/9/24

Annex III: Reporting of Climate Relevant Expenditures

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

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

Annex IV: Reporting on Disaster Management Expenditure

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

- There was no expenditure relating to Disaster Management category.

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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)
Total	300,931,776.15

The National Treasury
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Annex VI: Account Payable (Creditors)

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

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

The Legal Framework

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

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

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

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

1. The Provident Fund

Recommendation

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

2. Asiatic Widows and Orphans Pensions Fund

Recommendation

7. Joint consolidated Fund

Recommendation

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

8. Government Clearing Agency Fund

Recommendations

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

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

9. Treasury Main Clearance Fund

Recommendation

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


10. Cereals and Sugar Finance Corporation

Recommendation

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

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

We respectfully suggest that you be advised accordingly.


KENNEDY OGETO EBS
SOLICITOR GENERAL

Copy to: Hon. P. Kihara Kariuki
ATTORNEY GENERAL

Annex VIII



REPUBLIC OF KENYA
THE NATIONAL TREASURY & ECONOMIC PLANNING

Telegraphic Address: 22921

Finance - Nairobi

FAX NO. 310833

Telephone: 2252299

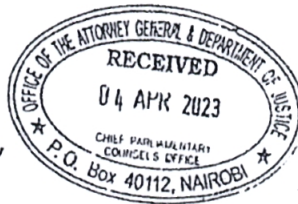
When Replying Please Quote

REF: MOF/AC/305C VOL. 2 (236)

THE NATIONAL TREASURY

P O Box 30007 - 00100

NAIROBI



DATE: 31st March, 2023

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

Dear Hon. A.G.,

WINDING UP OF DORMANT NATIONAL GOVERNMENT PUBLIC FUNDS

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

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

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

Submitted for your further necessary action.

Yours

Si unvady
[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.

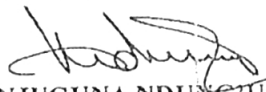
Transitional
provisions. **3.** On the winding up of the Fund—

(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 *3rd April*, 2023.


NJUGUNA NDUNGU,

Cabinet Secretary for the National Treasury and Economic Planning.