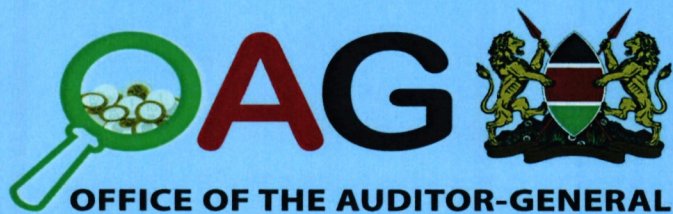


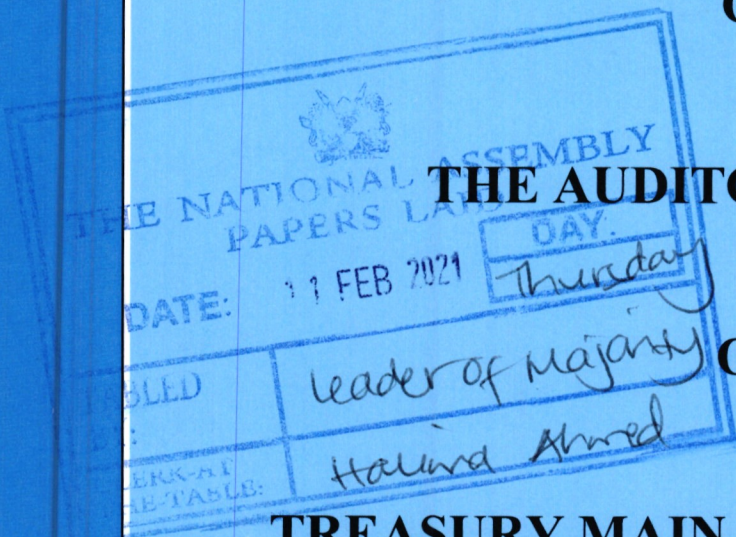
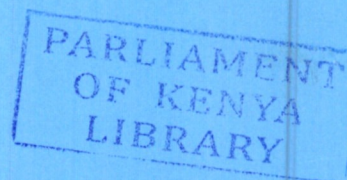
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

TREASURY MAIN CLEARANCE FUND

**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL TREASURY



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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY

01 SEP 2020

RECEIVED

THE NATIONAL TREASURY AND PLANNING

THE NATIONAL TREASURY

TREASURY MAIN CLEARANCE FUND (TMC)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30TH, 2019

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

THE NATIONAL TREASURY AND PLANNING
THE NATIONAL TREASURY
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019

TABLE OF CONTENTS	PAGE
I. NATIONAL TREASURY INFORMATION AND MANAGEMENT.....	1-8
II. FORWARD BY THE CABINET SECRETARY.....	9-12
III. STATEMENT OF NATIONAL TREASURY MANAGEMENT RESPONSIBILITIES.....	13
IV. REPORT OF THE INDEPENDENT AUDITORS ON THE FUND STATEMENT.....	14
V. STATEMENT OF RECEIPTS AND PAYMENTS.....	15
VI. STATEMENT OF ASSETS AND LIABILITIES.....	16
VII. STATEMENT OF CASH FLOW.....	17-18
VIII. SIGNIFICANT ACCOUNTING POLICIES.....	19
IX. NOTES TO THE FINANCIAL STATEMENTS.....	20-25
X. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS	26

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

I. NATIONAL TREASURY INFORMATION AND MANAGEMENT

Background Information

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

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

Vision

‘Excellence in economic and public financial management, and development planning’.

Mission

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

Core Values

The National Treasury is committed to providing quality services to all and is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork.

Mandate of the National Treasury

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

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

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting;
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the Annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; and
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

Role of the National Treasury in the Devolved System of Government

The National Treasury is mandated by law to:-

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

(a) Key Management

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

Office of the Principal Secretary

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

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

Organizational structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

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

Directorate of Portfolio Management

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

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

Directorate of Public Debt Management Office

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

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

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

Directorate of Administrative and Support Services (Common Shared Services)

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

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

NO.	Designation	Name
1.	Principal Secretary	Dr. Kamau Thugge, CBS
2.	Principal Administrative Secretary	Mr. Francis Musyimi, CBS
3.	Director General, BFEA	Mr. Albert Mwenda, HSC
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Ag. Director General, PIPM	Eng. Stanley Kamau
6.	Director General, PDMO	Dr. Haron Sirma, OGW
7.	Ag. Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Mr. Christopher Oisebe
10.	Director, Public Procurement Department	Mr. Eric Korir
11.	Ag Director, Intergovernmental Fiscal Relations Department	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Department	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Francis Kariuki
15.	Ag Director, Financial Management Information System	Mr. Stanley Kamanguya
16.	Ag. Director, Public Private Partnership Unit	Mrs. Judy Nyakawa
17.	Director, National Assets and Liability Management	Mrs. Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr. Shem Nyakutu
20.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mrs. Felister Kivisi
23.	Ag. Director of Administration	Ms. Margaret Muiuru, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Mulavu
27.	Head, Internal Audit Unit	Ms. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mr. George Kariuki
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Maina Kigaga
32.	Head, Legal Unit	Mr. James Mwenda
33.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua

(d) Fiduciary Oversight Arrangements

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

Audit Committee

The purpose of the Audit Committee is to assist the ministry's management in fulfilling their mandates. The committee undertakes the responsibilities of ensuring existence of adequate financial reporting processes, strong systems of internal controls and efficient operational activities carried out under existing laws and regulations for the ministry to achieve its intended objectives.

The National Treasury and Planning Audit Committee was launched on 22nd March 2019 and has met three times by end of June 2019. It has five members with the Internal Audit Unit as the Secretariat.

Internal Audit Unit

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

Audit Query Committee

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

Project Implementation Committee

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

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

Parliamentary Activities

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

Development Partner Oversight

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

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

Senior Management Committee

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed a Senior Management Committee comprising of Directors General and Heads of Departments. The Committee receives reports from departments, builds consensus on National Treasury responses to emerging issues, challenges and risks and ensures that the decisions of top management are implemented in a timely manner.

Public Financial Management Sector Working Group

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

Budget Implementation 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 the budget and the planned programmes and activities and advises the management accordingly.

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

Monitoring and Evaluation

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

(e) The National Treasury Headquarters

P.O. Box 30007- 00100,

Treasury Building,

Harambee, Avenue

Nairobi Kenya

The National Treasury Contacts

Telephone: (254)020-2252299

Email: info@treasury.go.ke

Website: www.treasury.go.ke

(f) The National Treasury Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000-00200

Nairobi, Kenya

(g) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O Box 30084

GPO 00100

Nairobi, Kenya

(h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

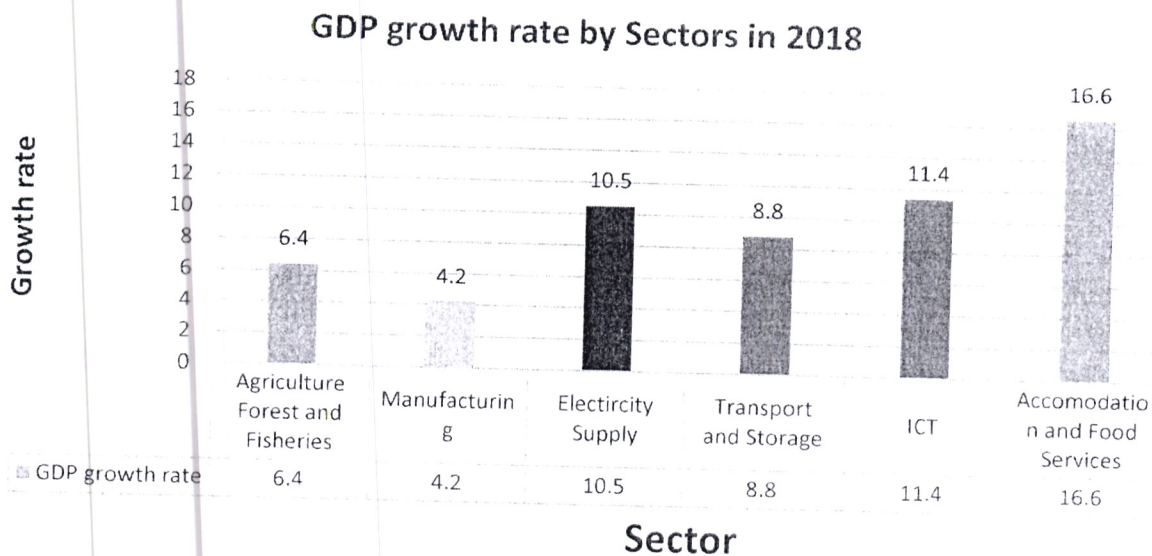
**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country.

As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, Economic growth remained resilient and broad based averaging 5.7% in the past 6 years and generating a total of around 5 million new jobs since 2013. Growth accelerated to 6.3% in 2018 from 4.9% in 2017. This growth is the highest to have been recorded for the past 8 years and well above the sub Saharan Africa region average growth of 3.0 percent and the global average of 3.6 percent. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transport and vibrant service sector activities. As a result of this economic growth, 860,000 new jobs were generated in the economy in 2018. Inflation remained within target, interest rates were stable, and exchange rates were competitive with adequate foreign exchange reserves equivalent to 6.2 months of import cover at the end of fiscal year 2018/19. The figure below shows the contribution of the GDP Growth rate by Sectors.

Figure 1: GDP Growth Rate by Sectors in 2018



**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

In FY 2018/19, County Governments received **Ksh.314 billion** as their equitable share of revenue raised nationally. This represents 100 percent of the appropriation as per the CARA, 2018. In addition to the equitable share, the Counties received Ksh.46.1 billion in FY 2018/19, which comprised of:-

- a) Conditional allocation worth more than **Ksh.15 billion** derived from the National Government's equitable revenue share;
- b) **Ksh.7.4 billion** from the Roads Maintenance Levy Fund (RMLF) collected by the Kenya Roads Board (KRB), of which 15 percent is set aside for County roads; and,
- c) Proceeds from external loans and grants totalling **Ksh.23.6 billion** earmarked to supplement financing of devolved functions.

Based on the above aggregate, payments to County government in FY 2018/19 amounted to **Kshs.360.1 billion**, representing 96 percent of the CARA, 2018 allocations. Including the FY 2018/19 payments, county governments have now received an estimated **Kshs.1.7 trillion** cumulatively since their establishment.

In all years, County Governments' equitable revenue share has been well above the minimum threshold defined in Article 203 (2) of the Constitution. Moreover, counties' equitable revenue share allocation has been fully disbursed in accordance with Article 219 of the Constitution, even when the shareable revenue outturn was less than projected revenue used in the Division of Revenue Act.

The National Treasury and Planning, successfully priced a new US dollar 2.1 billion, dual tranche Eurobond of 7-year and 12-year tenors on 15th May 2019 in London, United Kingdom. This is the third time Kenya has been in the International Debt Capital Markets. The first was in June 2014, when we launched the debut bond of US dollar 2.0 billion and tapped for a further US dollar 750 million, while the second was in February 2018 when a dual-tranche of US\$ 2.0 billion was issued (10-year tenor of US\$1.0 billion and 30-year tenor of US\$ 1.0 billion).

The announcement of Kenya issuance triggered an overwhelming response from investors that amounted to an order book of US\$ 9.5 billion, an oversubscription of 4.5 times. This overwhelming interest in Kenya's bond issue confirms the strong investor confidence in Kenya's economic policy management and prospects going forward.

The proceeds from this issuance will be used to (i) finance some of the development infrastructure projects, (ii) the general budgetary expenditure in accordance with the applicable legal requirements and (iii) to refinance part or all of the obligations outstanding under the US\$ 750 million (2014 Eurobond).

The National Treasury and Planning in its contribution to the Affordable Housing Agenda under the Big Four Plan launched the Kenya Mortgage Refinance Company (KMRC) in May 2019. This is a Public Private Partnership arrangement with majority private sector owned. KMRC will extend long term loans at fixed interest rate to financial institutions secured against mortgages so that they can extend the maturity of their housing loans to end borrowers hence increasing affordability. Given Kenya's urbanization rates, there is critical need to deliver housing at the lower end of the income spectrum in order to improve housing conditions for the average Kenyan. KMRC will seek to catalyze growth of the mortgage market in Kenya by targeting households that fall within the mortgage

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

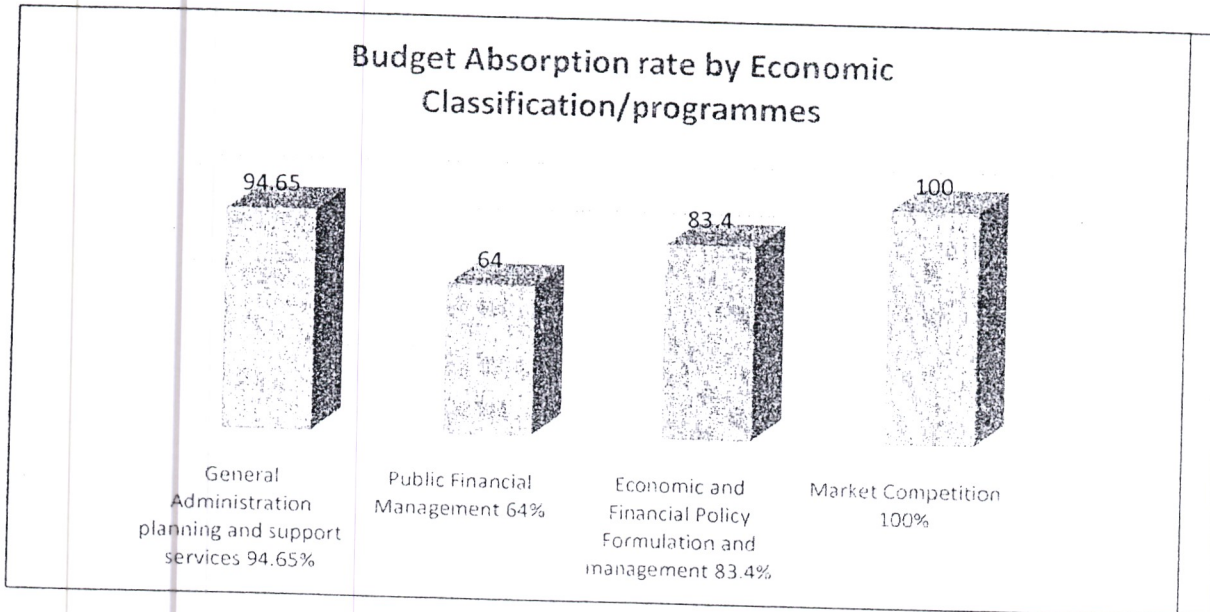
gap and lower middle-income categories which represents about 95% of the formally employed population.

In terms of budget performance, the National Treasury expenditure stood at Kshs.54.417b against an approved budget of **Kshs.64.865b**. The National Treasury implemented the 2018/19 budget within four economic classifications/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 figure 2 below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 94.65%, Economic and Financial Policy Formulation and Management (83.4%) and Public Financial Management Programme at 64%.

NATIONAL GOVERNMENT ENTITY – (THE NATIONAL TREASURY & PLANNING)

Reports and Financial Statements for the year ended June 30, 2019

Figure 2: Budget Absorption rate by Economic Classification/Programmes

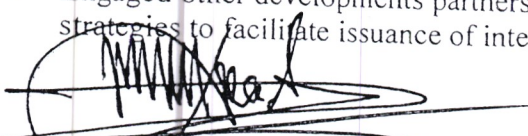


Some of the challenges the National Treasury faced while implementing the 2018/19 budget include:-

- Lack of adequate funds to finance all the budget requests by Ministries, Departments and Agencies.
- Low absorption of Official Development Assistance (ODA).
- Inadequate Exchequer issues thus contributing to the pending bill increment from **Kshs.29.3b** to **Kshs.64.7b** in FY2018/19.
- Inadequate capacity of staff in some key technical Departments.

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

- Domestic borrowing to plug the financing gap created by non-performing revenue.
- Expenditure reduction strategies such as austerity measures and a ban on new projects to ensure available money is used in completing old projects and prepared draft Public Investment Management Regulations.
- Strengthened capacity in public financial management to MDAs and County Governments to improve oversight of Public resources and Strengthened financial and fiscal relations between the national government and county governments.
- Enhanced the Government's cash management system to avoid undue pressure on payment flows and interest rates, and reduce borrowing costs for the government and the private sector.
- Promoted the Public Private Partnership initiatives to finance government capital projects.
- Engaged other developments partners for concessional loans and grants as well as pursued strategies to facilitate issuance of international bonds to finance government projects.


HON. AMB. UKUR YATTANI, EGH
AG. CABINET SECRETARY

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

III. STATEMENT OF NATIONAL TREASURY MANAGEMENT RESPONSIBILITIES

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

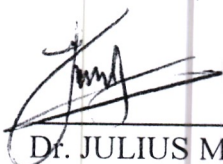
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Treasury Main Clearance (TMC) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.

The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Main Clearance (TMC) report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2019. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Treasury Main Clearance Fund was approved and signed by the Accounting Officer on
23/9 2019



Dr. JULIUS M. MUIA, PhD, EBS

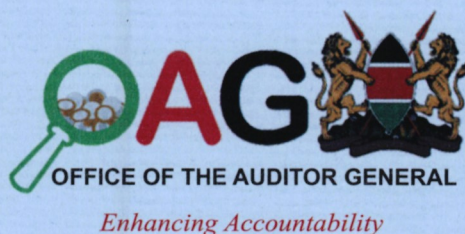
Accounting Officer



GEORGE K. GICHURU
ICPAK Member No. 9262
Head of Accounting Unit

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TREASURY MAIN CLEARANCE FUND FOR THE YEAR ENDED 30 JUNE, 2019 – THE NATIONAL TREASURY

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Treasury Main Clearance Fund set out on pages 15 to 26, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Treasury Main Clearance Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified of Opinion

1. Long Outstanding Accounts Receivables – Debtors

As reported previously, the statement of assets and liabilities reflects accounts receivables-debtors balance of Kshs.12,503,607,446 as at 30 June, 2019. The balance has been outstanding for a long period of time with no movement which is indicative of nil recoveries. Further, an amount of Kshs.2,332,170,394 of the debtor's balance has not been analyzed into the individual debtors and what it relates to. This is indicative of likely impairment, but the necessary adjustments to fairly state the balance by way of provisions for bad and doubtful debts have not been made.

Consequently, the recoverability of the long outstanding accounts receivables - debtors balance of Kshs.12,503,607,446 could not be confirmed.

2. Unsupported Accounts Payables – Creditors

As previously reported, the statement of assets and liabilities reflects accounts payables – creditors balance of Kshs.12,490,478,941 as at 30 June, 2019. However, detailed listings in support of the balances were not availed for audit review.

Consequently, the accuracy and completeness of the accounts payables - creditors balance of Kshs.12,490,478,941 as at 30 June, 2019 could not be ascertained.

3. Unsupported Deficit Balance Brought Forward

As reported previously, the statement of assets and liabilities reflects a net financial position (closing fund balance) of Kshs.13,128,505 which consists of a Fund balance and deficit brought forward of Kshs.14,000,000 and Kshs.871,495 respectively. However, the balances were not supported by any reconciliation.

Consequently, the accuracy of the closing Fund balance of Kshs.13,128,505 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Treasury Main Clearance Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Prior Year Matter

Failure to Wind Up the Fund

As reported previously, the Fund has been dormant for a significant duration. Pursuant to the recommendations of the Public Accounts Committee and instructions of The National Treasury to wind up all dormant funds, the Fund continues to subsist. As at the time of finalizing this audit, the process was yet to be completed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund financial reporting process, reviewing the effectiveness of how the entity 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

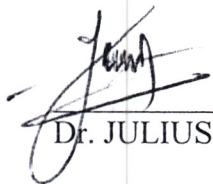
18 January, 2021

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019 Kshs	2017-2018 Kshs
TAX REVENUES			
Taxes on Income, Profits and Capital Gains		-	-
Taxes on Property		-	-
Taxes on Goods and Services		-	-
Taxes on International Trade & Transactions		-	-
Other Taxes		-	-
TOTAL TAX REVENUE		-	-
NON TAX REVENUES			
Fees on use of Goods/Services		-	-
Social Security Contributions		-	-
Property Income		-	-
Fines, Penalties and Forfeitures		-	-
Other Receipts – Treasury Main Clearance Account (TMC)		-	-
Sale of Goods and Services		-	-
Receipts from Sale of Non-Financial Assets		-	-
TOTAL NON TAX REVENUE		-	-
TOTAL REVENUE COLLECTED		-	-
PAYMENTS TO CREDITORS		-	-
BALANCE BROUGHT FORWARD	6	(871,495.05)	(871,495.05)
BALANCE CARRIED FORWARD		(871,495.05)	(871,495.05)

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the Fund statement. This Fund statement was approved on 23/9/ 2019 and signed by:



Dr. JULIUS M. MUIA, PhD, EBS
Accounting Officer



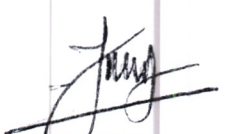
GEORGE K. GICHURU
ICPAK Member No. 9262
Head of Accounting Unit

THE NATIONAL TREASURY AND PLANNING
 FINANCIAL STATEMENTS
 TREASURY MAIN CLEARANCE FUND (TMC)
 FOR THE YEAR ENDING JUNE 30, 2019


VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019 Kshs	2017-2018 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	1	-	-
Cash Balances	2	-	-
Total Cash and cash equivalent		-	-
Accounts receivables - Debtors	3	12,503,607,445.65	12,503,607,445.65
TOTAL FINANCIAL ASSETS		<u>12,503,607,445.65</u>	<u>12,503,607,445.65</u>
FINANCIAL LIABILITIES			
Accounts Payables – Creditors	4	<u>12,490,478,940.70</u>	<u>12,490,478,940.70</u>
NET FINANCIAL ASSETS		<u>13,128,504.95</u>	<u>13,128,504.95</u>
REPRESENTED BY			
Fund balance b/fwd	5	14,000,000.00	14,000,000.00
Surplus/Deficit b/fwd		(871,495.05)	(871,495.05)
NET FINANCIAL POSITION		<u>13,128,504.95</u>	<u>13,128,504.95</u>

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the Fund statement. This Fund statement was approved on 23/9/2019 and signed by:


 Dr. JULIUS M. MUIA, PhD, EBS

Accounting Officer


 GEORGE K. GICHURU
 ICPAK Member No. 9262
 Head of Accounting Unit

THE NATIONAL TREASURY AND PLANNING
 FINANCIAL STATEMENTS
 TREASURY MAIN CLEARANCE FUND (TMC)
 FOR THE YEAR ENDING JUNE 30, 2019

VII. STATEMENT OF CASH FLOW

	Note	2018-2019	2017-2018
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues		-	-
Social Security Contributions		-	-
Proceeds from Domestic and Foreign Grants		-	-
Transfers from National Treasury		-	-
Transfers from Other Government Entities		-	-
Reimbursements and Refunds		-	-
Returns of Equity Holdings		-	-
Other Revenues		-	-
		-	-
Payments for operating expenses			
Compensation of Employees		-	-
Use of goods and services		-	-
Subsidies		-	-
Transfers to Other Government Units		-	-
Other grants and transfers		-	-
Social Security Benefits		-	-
Finance Costs, including Loan Interest		-	-
Other Expenses		-	-
		-	-
Adjusted for:			
Changes in receivables		-	-
Changes in payables		-	-
Adjustments during the year		-	-
		-	-
Net cash flow from operating activities		-	-
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		-	-
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
		-	-

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

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

The accounting policies and explanatory notes set out on pages 19-25 form an integral part of the Fund statement. This Fund statement was approved on 23/9/ 2019 and signed by:



Dr. JULIUS M. MUIA, PhD, EBS

Accounting Officer



GEORGE K. GICHURU
ICPAK Member No. 9262
Head of Accounting Unit

VIII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

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

2. Recognition of Revenue

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

3. Budget

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

4. Comparative Figures

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

5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2019.

THE NATIONAL TREASURY AND PLANNING
 FINANCIAL STATEMENTS
 TREASURY MAIN CLEARANCE FUND (TMC)
 FOR THE YEAR ENDING JUNE 30, 2019

IX. NOTES TO THE FINANCIAL STATEMENTS

1. Bank Balances

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

Commentary on Actual Revenue against the Revised Estimates

N/A

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

2. Cash Balances

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

Commentary on Actual Revenue against the Revised Estimates

N/A

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

3. Accounts Receivables - Debtors

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

Commentary:

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

THE NATIONAL TREASURY AND PLANNING
 FINANCIAL STATEMENTS
 TREASURY MAIN CLEARANCE FUND (TMC)
 FOR THE YEAR ENDING JUNE 30, 2019

4. Accounts Payables - Creditors

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

Commentary:

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

THE NATIONAL TREASURY AND PLANNING
 FINANCIAL STATEMENTS
 TREASURY MAIN CLEARANCE FUND (TMC)
 FOR THE YEAR ENDING JUNE 30, 2019

5. Fund Balance b/fwd.

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

Commentary:

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

**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

6. BALANCES CARRIED FORWARD

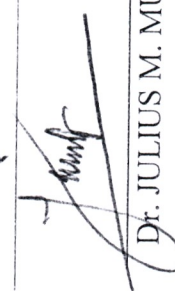
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**THE NATIONAL TREASURY AND PLANNING
FINANCIAL STATEMENTS
TREASURY MAIN CLEARANCE FUND (TMC)
FOR THE YEAR ENDING JUNE 30, 2019**

X. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
AA/TNT/TMCF/2017 /2018/VOL.I/(4) Dated 21 December 2018	<p>1.i). Debtors not analysed and delays in the recovery</p> <p>ii). Creditors not supported by relevant documents</p> <p>iii). The difference between balance brought forward and calculated balance not reconciled</p> <p>2. No evidence on the winding up of the Fund</p>	<p>This is a dormant Fund and the figures presented have been carried forward for many years. The Fund is among the ones intended to be wound up through the National Treasury taskforce on winding up of Dormant Funds. Cabinet memo have been prepared on the same.</p>	Head of Accounting Unit	Being Resolved	Within Financial Year 2019/2020


Dr. JULIUS M. MUJA, PhD, EBS
Accounting Officer


GEORGE K. GICHURU
ICPAK Member No. 9262
Senior Deputy Accountant General