

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

**GOVERNMENT CLEARING AGENCY
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30094 - 00100, NAIROBI
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THE NATIONAL TREASURY & PLANNING

GOVERNMENT CLEARING AGENCY (GCA)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30TH, 2020

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

**The National Treasury & Planning
Financial Statements for the Government Clearing Agency (GCA)
For the Financial Year ended 30th June 2020**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

1. NATIONAL TREASURY INFORMATION AND MANAGEMENT

(a) Background Information

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

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

Vision

“Excellence in economic and public financial management, and development planning”

Mission

“To provide leadership in economic and public financial management, 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;

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- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments
- Assist county governments to develop their capacity for efficient, effective and transparent financial management; 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 intergovernmental fiscal relations;
- Coordinate the development and implementation of financial recovery plans for County Governments that are in financial distress;
- Build capacity of County Governments on public finance management matters for efficient, effective and transparent financial management as well as planning, monitoring and evaluation and;
- Administer the Equalization Fund.

(b) Key Entity Information and 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.

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Organizational Structure of the National Treasury

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

Directorate of Budget, Fiscal and Economic Affairs

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

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

Directorate of Accounting Services and Quality Assurance

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

- Government Accounting Services;
- Internal 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).

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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 2020 and who had direct fiduciary responsibility were:

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S/No.	Designation	Name
1.	Principal Secretary	Dr. Julius Muia, PhD, CBS
2.	Principal Administrative Secretary	Mr. Amos Gathecha, EBS
3.	Ag. 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.	Director, Macro and Fiscal Affairs Department	Mr. Musa Gathanje
8.	Director, Budget Department	Mr. Francis Anyona, OGW
9.	Director, Financial and Sectoral Affairs Department	Prof. Galgalo Barako
10.	Director, Public Procurement Department	Mr. Eric Korir
11.	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.	Director, Financial Management Information System	Mr. Stanley Kamanguya
16.	Ag. Director, Public Private Partnership Unit	Mrs. Veronica Okoth
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. Michel Kagika, EBS
20.	Director, Resource Mobilization Department	Mr. Moses Kanagi
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, Debt Recording and Settlement Department	Mr. George Kariuki
23.	Senior Deputy Director of Administration	Mr. Boniface Simba, OGW
24.	Head, Accounts Division	Mr. Nemwel M. Motanya
25.	Head, Finance	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Aggrey kituyi
27.	Head, Internal Audit Unit	Mr. Esther Ngeru
28.	Director, Human Resource Management and Development	Ms. Susan Mucheru
29.	Ag Director, Information Communication and Technology	Mrs. Lynn Nyongesa
30.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
31.	Head, Public Communications	Mr. Robert Chepkwony
32.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
33.	Director, Government Clearing Agency	Mr. Felix Ateng

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(d) Fiduciary Oversight Arrangements

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

Internal Audit Unit

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

Audit Committees

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

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

Project Implementation Committee

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

Parliamentary Activities

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

Development Partner Oversight

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

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

Top Management and Senior Management Committees

To monitor the implementation of the Ministry's programmes and performance, the National Treasury has appointed Top Management and Senior Management Committees comprising of Directors General and Heads of Departments respectively. The Committees receive 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.

Public Financial Management Sector Working Group

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

Budget Implementation Steering Committee

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

Budget Implementation Technical Committee

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

Budget Implementation Ministerial Committee

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

Monitoring and Evaluation

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

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(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
City Square 00200
Nairobi, Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

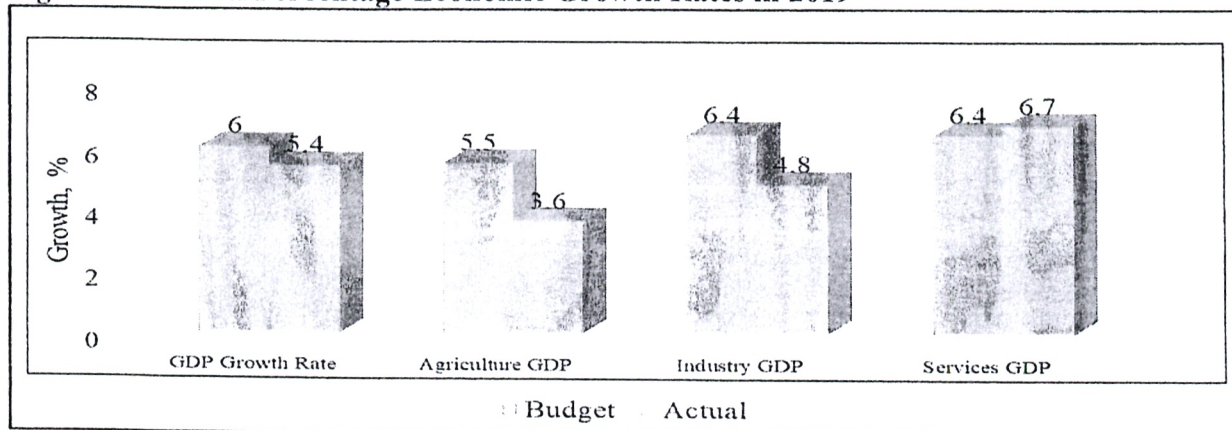
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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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, the economy remained strong in 2019 expanding by 5.4 percent compared to a growth of 6.3 per cent in 2018. The growth was spread across all sectors of the economy but was more pronounced in service-oriented sectors including Financial and Insurance as well as in Real Estate sub-sectors. However, there was a slowdown in agricultural activities due to suppressed long rains in key agricultural zones. In the first quarter of 2020, economic performance in most sectors slowed down compared to the corresponding quarter of 2019. Real GDP grew by 4.9 per cent during the review period compared to 5.5 per cent growth in the first quarter of 2019. The economy was affected by the uncertainty surrounding the corona pandemic that was already slowing economic activity in most of the country's major trading partners. Additionally, the economic slowdown in fourth quarter was aggravated by 9.3 per cent contraction in Accommodation and Food Service activities on account of Corona Virus containment measures instituted in our major tourist source markets.

Figure 1: Annual Percentage Economic Growth Rates in 2019



Data Source: Kenya National Bureau of Statistics, MTP III

Despite the difficult circumstances faced last year, the country was able to preserve macroeconomic stability with inflation, interest rates and exchange rates remaining largely stable. Year-on-year overall inflation rate remained within the Government target range of 5+/-2.5 percent at 4.6 percent in June 2020 down from 5.7 percent in June 2019. This was supported by improving food supply leading to lower food prices due to favourable weather conditions and lower international oil prices. Similarly, overall annual average inflation remained within Government target range at 5.5 percent in June 2020 compared to the 5.2 percent recorded in June 2019.

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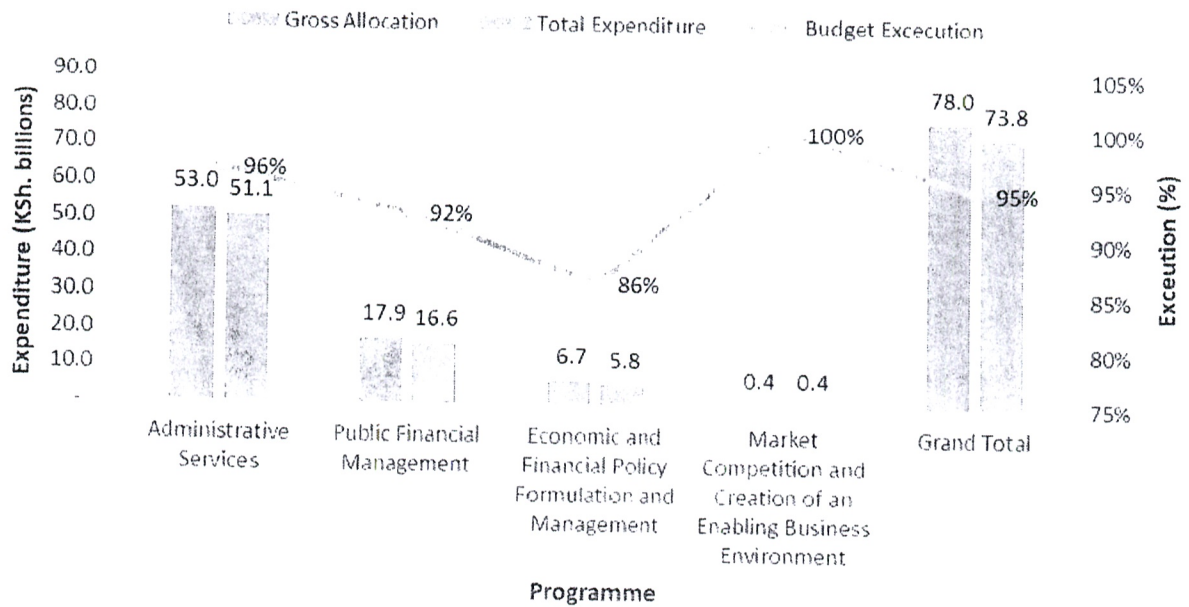
By the end of June 2020, Total revenue collected, inclusive of the ministerial A-I-A, recorded an annual growth of 1.9 percent, a decline from a growth of 11.7 percent recorded in June 2019. The decline is attributed to the difficult operating environment due to the Covid-19 pandemic which adversely affected revenue performance especially in the fourth quarter.

In order to ensure increased efficiency, stability and access of the financial sector, the National Treasury published the Public Finance Management (amendments) Bill, 2020. The Bill which was assented to by H.E the President seeks to establish the Credit Guarantee Scheme for Micro, Small and Medium Enterprises (MSMEs) in Kenya. The Bill will enable the government to give its undertaking to participating financiers that in the event of a default on loans advanced to MSMEs, the government will pay part of the loan in default. Targeted credit support to MSMEs will lead to growth in output with the potential to uplift the lives of many Kenyans through job creation.

In terms of budget performance, the National Treasury expenditure stood at Kshs.73.810m against an approved budget of Kshs.77.973m. translating to an overall absorption rate of 95%. The National Treasury implemented the 2019/20 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 and Creation of an Enabling Business Environment. As demonstrated in the bar chart below, the Market Competition Programme had the highest absorption at 100% followed by General Administration, Planning and Support Services at 96%, Economic and Financial Policy Formulation and Management (92%) and Public Financial Management Programme at 86%.

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Figure 2: Budget Execution (KSh. Billions) and proportion (%) by Programmes



The 100% absorption rate in Market Competition and Creation of an Enabling Business Environment programme is attributed to transfers to Semi Autonomous Government Agencies (SAGAs) under the National Treasury which implemented this programme.

The lowest performing programme is Economic and Financial Policy Formulation and Management at 86%. This is attributed to underperformance in absorption in sub-classifications of Routine Maintenance (7%) and Acquisition of Capital Assets (4%) which was mainly due to scaled down activity as a result of COVID 19 related adjustments.

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

- A framework for processing of tax exemptions and waivers was developed. The framework will help in managing the tax expenditures.
- A Draft Sovereign Wealth Fund Bill and Policy that establishes a framework for managing revenues from minerals, oil and gas was developed and submitted to the AG for legal drafting.
- To enhance revenue collection, the Finance Act, 2019 was developed and enacted by Parliament. In addition, the current Income Tax Act was reviewed and a new Income Tax Bill developed and submitted to parliament.
- The Tax Procedures Act, 2015 (TPA) was also amended through the Finance Act to simplify declaration and remittances by taxpayers.
- In order to promote financial inclusion and a culture of savings among the lower income groups/informal sector workers, the National Treasury issued a MAKiba bond tranche worth Ksh 500 million during the period under review. The tranche attracted subscriptions worth Ksh 263 million or approximately 52.6% success rate. In addition, the National Treasury formulated Kenya's Public Debt and Borrowing Policy which was approved by Cabinet. The Policy provides for guidance on debt management and contracting of new public debt, ensures value for money from debt funded programmes and safeguards debt sustainability.

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

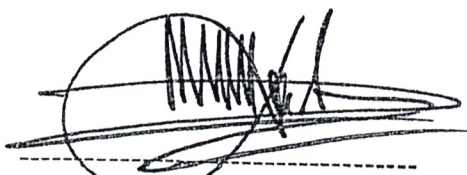
- The outbreak of COVID-19 pandemic affected achievement of targets due to delay and disruption of the policy making process especially in public participation and change of priorities arising from the urgent need to contain the spread of COVID-19.
- The global political landscape such the Brexit affected attainment of some of the targets.

Some of the challenges the National Treasury faced while implementing the 2019/20 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 staff capacity 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.
- 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 finance government projects.



Hon, Amb, Ukur Yatani, EGH
Cabinet Secretary, National Treasury and Planning

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III. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives. The key development objectives of the MDA's 2018-2022 plan are to: -

- (a) strengthen organization capacity for quality service delivery
- (b) enhance mobilization, allocation and utilization of public resources.
- (c) ensure stable and sustainable macro-economic environment.
- (d) ensure market structures that encourage competition and orderly conduct of business.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

MDA Program	Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services	Strengthen organization support for quality service delivery	Efficient and effective service delivery	% improvement in service delivery	Fixed lifts for Bima House, Installed CCTVs, refurbished two floors, promoted staff and launched the PSSS Pension Scheme.
Public Financial Management	Enhance mobilization, allocation and utilization of public resources.	Transparent and accountable management of public resources	Public Procurement Regulations	Developed PPDA regulations
			Consolidated Annual Accounts	Annual accounts prepared
			Annual national budget presented to Parliament by 30th April	Budget presented to parliament
Economic and Financial Policy Formulation and Management	Ensure stable and sustainable macro-economic environment.	Stable macroeconomic environment for economic growth	Real GDP growth rate (%)	5.4 %
			Inflation rate (%)	4.6%
			Months of	5.0 months of import

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			import cover % of fiscal deficit	cover 8.2% of GDP
Market Competition and Creation of an Enabling Business Environment	Ensure market structures that encourage competition and orderly conduct of business.	Sustained high productivity and competitive markets	Percentage of consumer complaints investigations concluded	80% of the consumer complaints investigated

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The National Treasury exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following core values: customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

Sustainability strategy and profile –

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy and its citizens against major economic shocks. Some of them include; reduction of VAT and review of income tax to cushion citizens during the COVID 19 pandemic, reorganized the budget to reflect the realities of the current situation and to manage expenditure among others. Going forward into the medium term, the Government will continue in its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the Budget Policy Statement (BPS). This will ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 7.7 percent of GDP in FY 2018/19 to 3.3 percent by FY 2023/24. This deliberate fiscal consolidation plan also resonates well with the East African Monetary Union's (EAMU) protocol target ceiling of 3.0 percent of GDP. To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. In the FY 2019/20, the Government implemented a raft of tax policy measures through the Budget Policy Statement, the Tax Amendment law and the Finance Act, 2019. In addition, the modernized Income Tax Bill currently undergoing legal drafting, will also ease administrative bottlenecks, improve compliance and boost revenue collection, thereby supporting the government's fiscal consolidation efforts. Further, the establishment of Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency, and accountability of public spending. In particular, the implementation of PIM regulations under the Public Finance Act will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.

Environmental performance

The National Treasury has constituted a Committee comprising officers from the key Departments of the Ministry to oversee all matters relating to environmental sustainability.

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The Committee has since developed a ministerial policy on the same in line with the National Policy on environmental management.

Employee welfare

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the National Treasury has a Department established to handle Human Resources Management and Development. The Ministry has also established a Human Resource Management Advisory Committee that process all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures. In addition, a Committee on occupational safety and health has been established to follow up of the safety conditions in the work place. In order to ensure attracting and retaining competent officers, the National Treasury continued to conduct capacity and training needs assessments for 2019/2020 – 2020/2021 as well as development and implementation of the training projections plan to fill skills gaps. In addition, the National Treasury continued to implement succession management plan by declaring number of the posts to be filled under the delegated powers and continually implementing the provision of the guidelines on the policy on advancement to the next grade at the entry level in the scheme of service and implementation of the Authorised officers and the PSC decisions. Further, the importance of knowledge management was reinforced through: identification of data needs and data gaps; preparation of a database of sources of knowledge across all levels in the State Department, preparation of a comprehensive report on patterns, trends and attributes of the processed data and information in the State Department; preservation and sharing of knowledge as well as application of knowledge to policy and problem solving within the National Treasury.

Under the Youth Internship and Attachment programme, the National Treasury managed to place 106 students under attachment and 91 students under the internship programme spearheaded by the Public Service Commission during the period under review.

Market place practices

The National Treasury is responsible for promoting fair trade practices in the economy. To ensure effective implementation of this function assigned by the Constitution, one of the programmes implemented by the Treasury is ensuring that existing market structures encourage competition and orderly conduct of business in order to support high productivity and competitive markets. In addition, the National Treasury developed the Public Procurement and Asset Disposal Regulations to guide the procurement function in the public Sector.

Under the programme of Access to Government Procurement Opportunities (AGPO), the National Treasury allocated Ksh. 304 million worth of procurement opportunities to the vulnerable groups namely women, youth and people with disabilities during the period under review.

Community Engagements

To mitigate technological hazards, terrorism, fire and natural disasters, the National Treasury engaged a professional security services firm contracted for purposes of enhancing security in the Ministry. It also installed and commissioned CCTV cameras at the Treasury Building and maintained firefighting facilities maintained at the premises in collaboration with the State Department for Public Works.

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

1. Background of the Fund

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

Currently its functions are;

1. Receiving of clearance/shipping documents from Government ministries/departments/state corporations.
2. 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.
3. Verification of shipping documents as required by both international and state marine laws, regulations and procedures for goods to be allowed into the country.
4. Classification and determination of customs and port tariffs for correct payments of imports/exports duties, port and shipping charges.
5. 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.
6. Removal and countrywide dispatch of various types of Government goods from the vessels, port areas and warehouse by road or rail.
7. 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.
8. Maintenance of Clearing and Forwarding records and statistics for national development and for references.
9. Advising the government and Government institutions on matters relating to Clearing and Forwarding.

There are two different offices at clearing points these are GCA-Mombasa Unit and GCA-JKIA Unit Both Handles goods arriving via ocean and Air. This Department has since been transferred to the Ministry of Transport.

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For the Financial Year ended 30th June 2020

2. Operation

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

2. Receipts/Income

The National Treasury receives only 5% of the revenue collected by GCA. GCA was transferred to the ministry of Transport in the FY 2018/2019. Receipts amounting to KShs. 2,174,171.00 was received in the first quarter of the FY 2018/2019 and there were no receipts received up to date. The receipts received was carried forward to the FY 2019/2020 and has been remitted to Exchequer as AIA. At the closure of FY 2019/2020, there were no receipts received nor outstanding, therefore there is no money for GCA in the Deposit Account of the National Treasury.

**The National Treasury & Planning
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For the Financial Year ended 30th June 2020**

V. STATEMENT OF THE MANAGEMENT'S RESPONSIBILITIES

Section 84 (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 84 (1) 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.

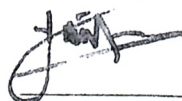
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Government Clearing Agency (GCA) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year ended on June 30, 2020. 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 receipt 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 Government Clearing Agency (GCA) 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, 2020. 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 Government Clearing Agency (GCA) was approved and signed by the Accounting Officer on 24th Sept. 2020



Dr. JULIUS MUIA, PhD, CBS

Accounting Officer



NEMWEL M. MOTANYA
ICPAK Member No. 2367
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, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Government Clearing Agency Fund set out on pages 20 to 29, which comprise the statement of assets and liabilities as at 30 June, 2020 and the statement of receipts and payments, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Non-disclosure of Receipts and Payments

The statements of receipts and payments reflects an amount of Kshs.2,174,171 received in the 2018/2019 financial year that was transferred to the Exchequer in 2019/2020. However, analysis of entries in the bank statement for the Fund bank account No. 01001007625100 operated at the National Bank of Kenya revealed that the Agency received a total of Kshs.252,459,894 and made payments amounting to Kshs.213,585,119 during the year under review. No explanation was provided on why the Agency did not disclose the receipts and the payments in the financial statements. Further, supporting documents for the transactions reflected in the bank statement were not provided for audit.

Consequently, the accuracy and completeness of the reported receipts and payments of Kshs.2,174,171 could not be confirmed.

2. Unresolved Prior Year Audit Matters

As disclosed under progress on follow up of prior years' auditor's recommendations section of the financial statements, issues reported in the prior year, remained unresolved

as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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's 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Government Clearing Agency Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Government Clearing Agency Fund 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

24 May, 2021

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020

VII. Receipts and Payment Statements for the year ended 30 June 2020

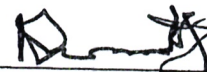
	Notes	2019-2020 KShs	2018-2019 KShs
Receipts			
Receipts from Government Agencies	1	-	2,174,171.00
			-
Total Receipts		-	2,174,171.00
Payments			
Transfers to Exchequer	2	2,174,171.00	72,435,965.05
Other Payments	3	-	-
Total Payments		2,174,171.00	-
Surplus/Deficit for the year		(2,174,171.00)	53,586,330.00

The accounting policies and explanatory notes set out on pages 23-28 form an integral part of the Fund statement. This Fund statement was approved on 24th Sept. 2020 and signed by:



Dr. JULIUS MUIA, PhD, CBS,

Accounting Officer



NEMWEL M. MOTANYA
 ICPAK Member No. 2367
 Head of Accounting Unit

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020

VIII. Statement of Assets and Liabilities

	Note	2019-2020 KShs	2018-2019 KShs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	4	-	2,174,171.00
Total Cash and Cash Equivalent		-	2,174,171.00
Accounts Receivables			
Debtors – Old Account	6	300,931,776.15	300,931,776.15
Outstanding Imprests		-	
Total Financial Assets		300,931,776.15	303,105,947.15
Financial Liabilities			
Accounts Payables – Creditors-Old Account	7	52,973,896.80	52,973,896.80
Net Financial Assets		247,957,879.35	250,132,050.35
Represented By			
Fund Balance B/Fwd. (Old Account)	5	247,957,879.35	247,957,879.35
Fund Balance B/Fwd. (New Account)		-	72,435,965.05
Surplus/Deficit for The Year		(2,174,171.00)	(70,261,794.05)
			-
Net Financial Position		245,783,708.35	250,132,050.35

The accounting policies and explanatory notes set out on pages 23-28 form an integral part of the Fund statement. This Fund statement was approved on 24th sept. 2020 and signed by:



Dr. JULIUS MUIA, PhD, CBS

Accounting Officer



NEMWEL M. MOTANYA
 ICPAK Member No.2367
 Head of Accounting Unit

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020


IX. Statement of Cash Flow for the year ended 30th June 2020

		2019-2020 Kshs	2018-2019 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for Operating Income			
Receipts from Government Agencies	1	-	2,174,171.00
Total Receipts		-	2,174,171.00
Payments			
Transfers to Exchequer	2	2,174,171.00	72,435,965.05
Other payments		-	
Total Payments		2,174,171.00	72,435,965.05
Net Cash Flow from Operating Activities		(2,174,171.00)	(70,261,794.05)
CASH FLOW FROM INVESTING ACTIVITIES			
Net Cash flow from Investing Activities		-	-
CASH FLOW FROM BORROWING ACTIVITIES			
Net Cash flow from Borrowing Activities		-	-
Cash flow from financing Activities			
Net Cash flow from financing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(2,174,171.00)	(70,261,794.05)
Cash and cash equivalent at the BEGINNING of the year -		2,174,171.00	72,435,965.05
Cash and Cash Equivalent at the END of the Year		-	2,174,171.00

The accounting policies and explanatory notes set out on pages 23-28 form an integral part of the Fund statement. This Fund statement was approved on 24th Sept. 2020 and signed by:


 Dr. JULIUS MUIA, PhD, CBS,

Accounting Officer


 NEMWEL M. MOTANYA
 ICPAK Member No. 2367
 Head of Accounting Unit

**The National Treasury & Planning
Financial Statements for the Government Clearing Agency (GCA)
For the Financial Year ended 30th June 2020**

X. Significant Accounting Policies

1) Basis of preparation

The financial statements of Government Clearing Agency (GCA) Account have been prepared in accordance with the accrual basis of International Public Sector Accounting Standard (IPSAS) as prescribed by the Public Sector Accounting Standard Board (PSASB) in Kenya.

2) Reporting entity

This report relates to financial operations of the Government Clearing Agency (GCA) Account maintained at Central Bank of Kenya. The reporting entity is The National Treasury.

3) Revenues

The Fund shall consist of the receipts of the Government Clearing Agency (GCA) received from Government Ministries, Departments and Government Corporations.

4) Expenditure and transfers

The Expenditure of the fund shall be on the basis of and limited to the requests and advice received from the officer in charge of Government Clearing Agency Mombasa and Government Clearing Agency Nairobi- Jomo Kenyatta International Branch. The officer in charge of Government Clearing Agency approves both payments to Exchequer and to Transporters

5) Cash and cash equivalents

Cash and cash equivalents comprise of Cash at Bank maintained by the National Treasury at the Central Bank of Kenya (CBK). The account is operated within the Deposit bank account of the National Treasury.

6) Presentation currency

The financial statements are reported in Kenya Shillings, being the currency of legal tender in Kenya.

7) Comparative figures

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

**The National Treasury & Planning
Financial Statements for the Government Clearing Agency (GCA)
For the Financial Year ended 30th June 2020**

XI. Notes to the Financial Statements

1. Receipts from Government Agencies

There were no receipts during the financial year 2019/2020, since GCA was transferred to the Department of Maritime in the financial year 2018-2019.

Description	2019-2020	2018-2019
	Kshs	Kshs
1 st Quarter	-	2,174,171.00
2 nd Quarter	-	-
3 rd Quarter	-	-
4 th Quarter	-	-
Total Receipts	-	2,174,171.00

2. Transfers to Exchequer

A total of **KShs. 2,174,171.00** was transferred as A.I.A by the National Treasury from the Government Clearing Agency Account to the Exchequer Account during the financial Year 2019/2020.

3. Other Payments from the Government Clearing Agency Account

There were no payments to Transporters for both financial years 2019/2020 and 2018/2019

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020

4. Bank balance

There was no Bank balance as at 30th June 2020, compared to Bank balance of KShs. 2,174,171.00 as at 30th June 2019.

Bank Name and Account	Analysis of Bank Balance of the Fund Account	Denomination of Account	Balance as at 30 th June 2020	Balance as at 30 th June 2019
Central Bank of Kenya Acc. No. 1000182137		KShs		
	Bal. b/f from F/Y 2018-2019		2,174,171.00	72,435,965
	1 ST Quarter – Payments		-	2,174,171
	2 ND Quarter- Surplus/Deficit		-	
	3 RD Quarter- Payments		-	(72,435,965)
	4 TH Quarter- Surplus/Deficit		(2,174,171.00)	
			-	-
Total			-	2,174,171

5. Fund balance – Old Account

The Fund balance comprised of Capital Fund of KShs.2,147,492.05 and an Overdraft Cash with PMG of KShs.245,810,387.30, both are old balances brought forward from Old Account. The National Treasury formed a taskforce to address old balances appearing in Ministries, Departments and Agencies books. The task force recommended that the balances be written off and the financial statements be re stated/ prepared and submitted to the Auditors. A report was issued and forwarded to Attorney General for a legal opinion. Attorney General’s opinion is being implemented.

Description	Balance as at 1st July 2019 Kshs	Balance as at 1st July 2018 Kshs
Capital Fund	2,147,492.05	2,147,492.05
Cash with PMG – Old Account	245,810,387.30	245,810,387.30
Total	247,957,879.35	247,957,879.35

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020

6. Accounts Receivables – Debtors

	Original Estimates	Revised Estimates	Actual	% Realized
			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	

The National Treasury & Planning
Financial Statements for the Government Clearing Agency (GCA)
For the Financial Year ended 30th June 2020

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

These are old balances that have been carried forward for many years. The National Treasury formed a taskforce to address old balances appearing in Ministries, Departments and Agencies books. A report was issued and forwarded to Attorney General for legal opinion. Attorney General's opinion is being implemented.

The National Treasury & Planning
 Financial Statements for the Government Clearing Agency (GCA)
 For the Financial Year ended 30th June 2020

7. Accounts Payables – Creditors

	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
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	

These are old balances that have been carried forward for many years. The National Treasury formed a taskforce to address old balances appearing in Ministries, Departments and Agencies books. A report was issued and forwarded to Attorney General for legal opinion. Attorney General's opinion is being implemented.

XI. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

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/VOL; 1/TNT/GCA/2018/19 (12) Dated 21 May 2020	<ol style="list-style-type: none"> 1. Unsupported Long Outstanding Balances 2. Fund Balance 3. Cash and Cash Equivalent 4. Apparent misallocation of funds. 	<p>These are balances carried forward for many years and Treasury has formed a taskforce to address issues of old balances appearing in ministries' books of Accounts with a view of clearing the same. Cabinet memo has been prepared on the same.</p> <p>2,3 and 4; These are policy issues and being addressed at the policy level of the Ministry</p>	Head Of Accounting Unit	Being Resolved	Within Financial Year 2020/2021



DR. JULIUS MUIA, PhD, CBS,

Principal Secretary



NEMWEL M. MOTANYA
 ICPAK Member No. 2367
 Deputy Accountant General