

REPUBLIC OF KENYA

PARLIAMENT  
OF KENYA  
LIBRARY



**OAG**



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PADDIS LAID

DATE: 20 APR 2023

DAY

Thursday

TABLED  
BY:

Hon. Owen Baga, MP  
Deputy leader, Majority  
Moses Lemina

CLERK-AT  
THE-TABLE:

**THE AUDITOR-GENERAL**

**ON**

**TREASURY MAIN CLEARANCE  
FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**THE NATIONAL TREASURY**



---

National Treasury & Planning  
Treasury Main Clearance Fund

Annual Report and Financial Statements  
For The Financial Year Ended

30 June, 2022

---

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

Table of Contents	Page
1. National Treasury Information and Management .....	iv
2. Foreword by The Cabinet Secretary.....	xiii
3. Statement by The Principal Secretary .....	xvii
4. Statement of Performance against Predetermined Objectives .....	xxi
5. Corporate Social Responsibility Statement/Sustainability Reporting.....	xxvii
6. Statement of Management Responsibilities.....	xxix
7. Report of the Auditor General.....	xxx
8. Statement of Financial Performance for the year ended 30 June, 2022 .....	1
9. Statement of Financial Position as at 30 June, 2022. ....	2
10. Statement of Changes in Net Assets for the year ended 30 June, 2022.....	3
11. Statement of Cash Flows for the year ended 30 June, 2022. ....	4
12. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June, 2022.....	5
13. Notes to the Financial Statements .....	6
14. Appendix.....	17

## 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, for shared growth through formulation, implementation and monitoring of economic and financial policies”.

#### Core Values

The National Treasury is guided by the following core values: Customer Focus, Results Oriented, Stakeholder Participation, Professionalism, Accountability, Integrity and Transparency and Teamwork all geared towards excellence in service delivery.

#### 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;
- 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;
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities; and
- Coordination and integration of public ports, railway and pipeline services.

#### 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 Constitutional Fund.

(b) Key Management

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

**Office of the Principal Secretary**

The Office of the Principal Secretary is responsible for the day-to-day administration of the National Treasury operations and is the accounting officer. 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.

**Organizational structure of the National Treasury**

The National Treasury is organized into five (5) technical Directorates headed by Director Generals 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. In addition, the Treasury has two independent departments namely Public Procurement and Internal Auditor General both of which are headed by Directors. The Directorates and Departments are as follows:

**Directorate of Budget, Fiscal and Economic Affairs**

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

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

**Directorate of Accounting Services and Quality Assurance**

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

- Government Accounting Services;
- 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 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).

### Directorate of Public Private Partnership Unit

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

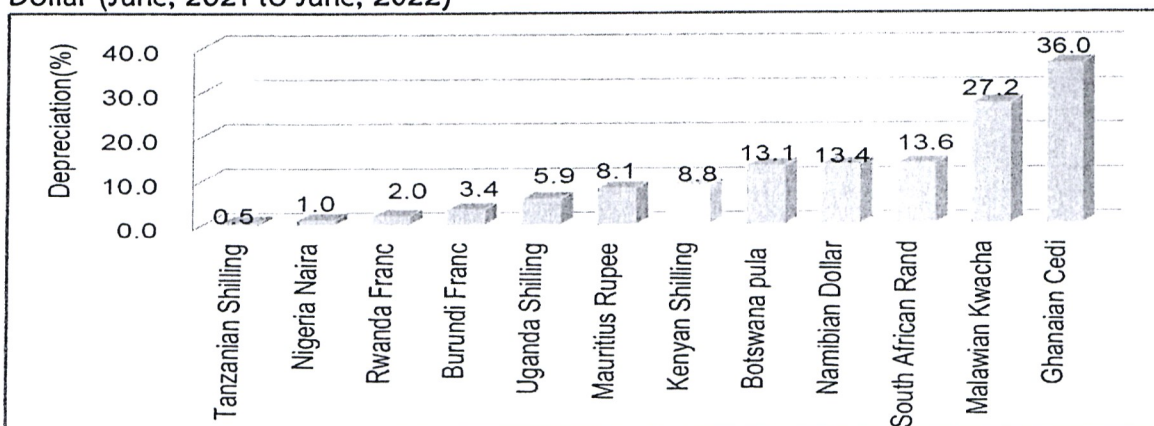
### Directorate of Administrative and Support Services (Common Shared Services)

The Directorate is headed by a Principal Administrative Secretary, reporting to the Principal Secretary. It is organized into 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

In comparison to most Sub-Saharan Africa currencies, the Kenya Shilling has remained relatively stable weakening by 8.8 percent against the US Dollar (Chart 4). The depreciation rate of the Kenya Shilling was lower than that of Botswana pula, Namibian Dollar, South African Rand, Malawi Kwacha and Ghanaian Cedi. The stability in the Kenya Shilling was supported by increased remittances, adequate foreign exchange reserves and improved exports.

Chart 4. Performance of Selected Sub-Saharan Countries Currencies against the US Dollar (June, 2021 to June, 2022)



Data Source: National Treasury: Quarterly Economic and Budgetary Review, September, 2022

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will:

1. Scale-up the COVID-19 response;
2. Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path;
3. Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and,
4. Strengthen monetary policy framework and support financial stability.

HON. (AMB.) UKUR YATANI, EGH  
 CABINET SECRETARY  
 THE NATIONAL TREASURY AND PLANNING

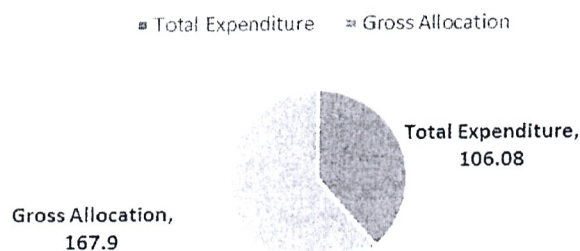
### 3. Statement by The Principal Secretary

#### Budget performance

The National Treasury expenditure for the FY 2021/22 stood at KSh. 106.08 billion against an approved budget of KSh. 167.9 billion translating to an overall absorption rate of 63 percent as demonstrated in that pie chart below.

Chart 5: Total Allocation against Total Expenditure (KSh. Billion)

#### Total Allocations against Total Expenditure (KSh. Billions)



The National Treasury implemented the 2021/22 budget within five economic classifications/programmes. These were General Administration, Planning and Support Services, Public Financial Management, Economic and Financial Policy Formulation and Management, Market Competition and Creation of an Enabling Business Environment, Government Clearing Services, Rail Transport and Marine Transport. The latter two programmes were transferred to the National Treasury by an executive directive that merged the ports, rail and pipeline services.

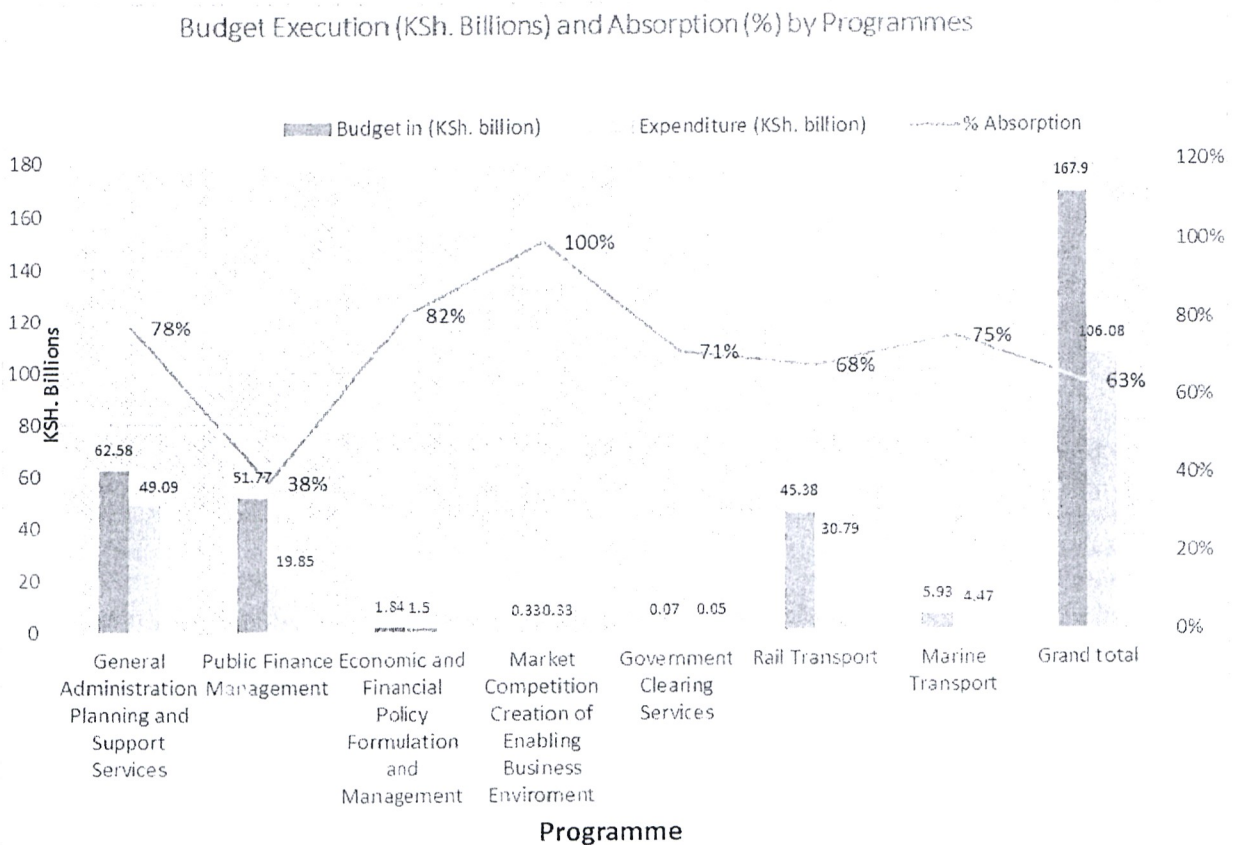
As demonstrated in the bar chart below, Market Competition and Creation of Enabling Business Environment Programme had the highest absorption at 100 percent followed by Economic and Financial Policy Formulation and Management at 82 percent, General Administration at 78 percent, Marine Transport 75 percent, Government Clearing Service at 71 percent, Rail Transport at 68 percent, and Public Financial Management at 38 percent. The 100 percent 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 low absorption rate in Public Financial Management programme relates to lower than anticipated execution on the following sub-programmes; Resource Mobilization, Budget Formulation, Coordination and Management, and Government Investment and Assets. The underperformance in Resource Mobilization sub-programme is attributed to a number of factors relating to implementation of externally funded projects. These include delay in granting of letter of 'no objection' from Development Partner funding Aid Effectiveness project, delay in restructuring and signing of contracts under the Infrastructure Finance for Public Private Partnerships project, lengthy procurement processes relating to Global Fund commodities, and delay in approval of County Allocation of Revenue Act 2021 to enable execution of budget under the Kenya Financing Locally-led Climate Action Programme.

Under Budget formulation sub-programme, the Equalization Fund budgetary allocation for FY 2021/22 of KSh. 6,825,317,433 was not transferred to the Equalization Fund bank account

due to lack of an appropriate legal framework that enable disbursement of funds to beneficiaries counties. Under the Government Investments and Assets sub-Programme, Kenya Airways did not place a request for the transfer of KSh. 13.9 billion initially earmarked for the entity by the closure of the Financial Year.

Chart 6: Budget Execution (KSh. Billions) and proportion (%) by Programme



Key Achievements

Enhanced Revenue Collection

The economic recovery underway coupled with improved business environment resulted to a strong rebound in revenue collection. As at end June 2022, ordinary revenues amounted to Ksh.1.919 trillion recording an above target collection of Ksh 67.5 billion. This performance is a growth of 22.9 percent over the previous year

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

- i. Developed the Draft National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy;

- ii. Developed the draft information security (PFM Systems) policy to provide guidelines for the holistic management of information security risks within PFM systems operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security;
- iii. Facilitated the National Police Service by leasing 3,400 vehicles towards enhancing security;
- iv. Developed the processes and procedures manual for Credit Guarantee Scheme;
- v. Mobilized over KSh. 10 billion for HIV, TB and Malaria interventions;
- vi. Developed the debt risk management framework;
- vii. Mobilized external resources amounting to Kshs.14 billion for the purposes of financing COVID 19 vaccine acquisition, procurement, deployment and other related health interventions aimed at mitigating the effects of COVID 19 Pandemic;
- viii. Developed the e- Government Procurement System.

#### Emerging Issues

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

- Transition to new Government will require re-alignment of the existing plans and strategies to accommodate Emerging Priorities under the new administration.
- Leveraging on ICT innovations in the delivery of services to the citizenry.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.
- Eastern Europe Conflict: - the ongoing conflict in Eastern Europe, has presented global shocks and challenges in the form of rising global energy, fertilizer and food prices.

#### Challenges

Some of the challenges the National Treasury faced while implementing the 2021/22 budget include:-

- **Inflationary pressures**

The country experienced inflationary shocks that pushed the year-on-year inflation rate above the upper bound target due to higher food and fuel prices occasioned by global increases in prices of imported commodities.

- **Shortage of Key Technical Staff**

Despite recruitment of staff across certain cadres such as Economists and Accountants, the National Treasury continues to experience staff shortage across all cadres. This is mainly attributed to natural attrition. The planned recruitment and promotion of staff by the appointing authorities has been slow hence affecting service delivery and succession management initiatives.

- Shortage of office space especially for key technical staff; and,
- Inadequate resourcing of the Monitoring and Evaluation function;

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

**The National Treasury and Planning**  
**Treasury Main Clearance Fund**  
**Annual Reports & Financial Statements for the year ended June 30, 2022.**

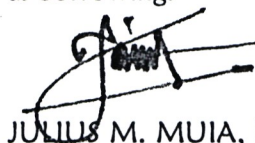
---

- Continued to implement borrowing policy that provides for domestic borrowing to plug the financing gap created by non-performing revenue,
- The effects of the Eastern Europe Conflict on inflation and cost of living were moderated by the Government's interventions including:
  - i) Subsidizing fuel pump prices;
  - ii) Waiving of taxes, fees and charges on maize and animal feeds imported into the country;
  - iii) Setting aside KSh. 3.0 billion in April-June, 2022 for a fertiliser subsidy to support farmers during the last planting season, with a further KSh. 2.7 billion set aside for the next planting season in October, 2022.
  - iv) Reducing electricity tariffs by 15 percent to lower the cost of power.
- Continued to implement succession planning towards progressively filling in staff shortage, continued training and timely promotions.
- Engaged other development partners for concessional loans and grants as well as pursued strategies to finance government projects.

**Recommendations**

- Increasing allocation to the National Treasury to facilitate effective mobilization of resources to finance public expenditure particularly towards facilitation and implementation of post COVID-19 Economic Recovery Strategy and emerging Government priorities;
- Reforms in Public Financial Management and taxation shall be sustained to enable the National Treasury to mobilize adequate financial resources and enhance absorption capacity;
- Sustained implementation of succession planning, especially with respect to recruitment of key technical staff;
- Strengthening Monitoring and Evaluation Framework and capacity;
- Continued leveraging on ICT to ensure timely delivery of targets;
- Enhancing working environment and sustained refurbishment of offices to provide accommodation of staff.
- Prioritization of ongoing projects and fast tracking to ensure timely completion.

Going forward, the National Treasury will implement a risk management strategy that will identify, monitor and control risks associated to its activities. This will include government investments and cash flows, banking, money markets and capital market transactions as well as borrowing.



**JULIUS M. MUIA, PhD, CBS**  
**PRINCIPAL SECRETARY/ NATIONAL TREASURY**

## Key Management



**Hon. Amb. Ukur Yatani, EGH**

Cabinet Secretary, National Treasury and planning

Hon. Amb. Ukur Yatani Kanacho born in 1967, has over 27-year experience in public administration, politics, diplomacy and governance in public sector. Before his appointment as Cabinet Secretary for the National Treasury he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006 - 2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-

August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

---



**Dr. Julius M. Muia, Phd, CBS**

Accounting Officer

Dr. Julius is currently the Principal Secretary, The National Treasury & Ministry of Planning. Before this appointment, he was the Director General of the Vision 2030 Delivery Secretariat which operates under the Office of the President. Prior to this, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. He holds a First Class Honours Degree in Accounting; Masters Degree and PhD in Finance from the University of Nairobi's

School of Business. He is also a Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Muia has over 20 years' experience in leadership in the private sector in Kenya and UK. Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.

## 4. 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 National Treasury'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	Strategic Objective	Outcome	Indicator	Performance
General Administration, Planning and Support Services.	To enhance institutional and human resource capacity for quality delivery of services	Efficient and effective service delivery	No. of vehicles leased	3,528 security vehicles were leased for the National Police Service towards enhancing security
			Government Investments Management Information System (GIMIS)	Developed one Government Investments Management Information System (GIMIS)
			% level of compliance to PSSS	On Boarded and maintained all Permanent and Pensionable (P&P) Public servants of age 45 years and below in the Public Service Super Annuation Scheme (PSSS)
			No. of Pension claims processed	27,117 pensions claims have been processed within 60 days of submission.

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
Public Financial Management	To increase the reliability, stability and soundness of the financial sector	Increased reliability and soundness of the financial sector	Annual National Budget presented to Parliament by 30th April 2022	Budget presented to parliament.
			Amount mobilized in KSh. (Billion)	A total of KSh. 112.1 billion worth of private capital was mobilized following private sector investments of four PPP projects. namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of PPP projects approved	Four (4) PPP projects were approved namely: Road Annuity Lot 15,18; Nairobi Expressway and KDF Housing Project.
			No. of Registered AGPO Enterprises	Registered 20,488 AGPO Enterprises
			No. of Strategies	Developed one Medium Term debt strategy.
			No. of VFM Audits reports	Conducted 205 Value for Money Audits due to increased requests for special audit by MDAs.
Economic and Financial Policy Formulation and Management	To ensure a stable macroeconomic environment	Stable macroeconomic environment	Real GDP growth rate (%)	6.8 %
			Inflation rate (%)	7.9%
			Months of import cover	4.9 months of import cover

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

---

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			% of fiscal deficit	(6.4) % of GDP
			No. of Policies	Developed the Kenya Digital Finance Policy 2022, Draft National Insurance Policy 2021, Kenya credit and Draft Guarantee Policy 2022.
			County Allocation of Revenue Bill (CARB) & Division of Revenue Bill (DORB)	Prepared the County Allocation of Revenue Bill (CARB) 2022 & Division of Revenue Bill (DORB) 2022.
			No. of Clients accessing Agricultural Finance Corporation loans	A total of 193,516 client outreach was achieved in both wholesale and retail lending
			Value Capital injected into the Credit Guarantee Scheme (CGS) in KSh. (Billions)	The Government allocated an initial seed capital of KSh.3 billion toward the inaugural CGS for MSME.
				As at 31st July, 2022, the Scheme had facilitated private sector lending to the 11 sectors of the economy, as designated by CBK. MSMEs across 46 counties had benefited from credit facilities guaranteed under the Scheme. All categories of MSMEs have been able to

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

MDA Program	Strategic Objective	Outcome	Indicator	Performance
				access credit under the Scheme. During the same period, approximately KSh. 4.03 billion was lent out to target beneficiaries.
			No. of legal frameworks on financial services sector developed	38 Counties have established their County Climate Change Funds (CCCFs) and opened special purpose accounts to receive the Program Grants.
			No. of Counties with CCF operationalized for the FY 2021/22	40 counties have developed county climate change laws i.e., County Climate Change Acts and County Climate Change Fund Acts. In addition, twelve (12) counties have developed County Climate Finance Polices.
Market Competition and Creation of an Enabling Business Environment	To promote and sustain competition	Sustained high productivity and competitive markets	% of consumer complaints on competition investigated	100% of the consumer complaints investigated and 64% Consumer cases concluded
			% of Merger and acquisitions applications determined	97%
			Merger, Restrictive Trade Practices (RTPs) and Consumer protection	Developed one (1) Restrictive Trade Practices and one (1) Consumer Protection Guideline

**The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2022.**

---

MDA Program	Strategic Objective	Outcome	Indicator	Performance
			guidelines	
			RTP Cases concluded as a % of total Investigation	60%
			% of cases on bid rigging concluded	100%
			% Implementation of framework on consumer protection in Digital Financial Sector	100%

## 5. Corporate Social Responsibility Statement/Sustainability Reporting

The National Treasury's core values include customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Guided by the above principles, we undertaken the following:

### 5.1 Sustainability Strategy and Profile

To ensure economic sustainability, the National Treasury has put in place several measures geared towards protecting the economy. Some of them include; National Tax Policy to guide tax administration and revenue collection. The policy sets out broad parameters on tax policy and related tax matters in Kenya, with the objectives of providing policy guidance on the collection, enforcement and administration of tax laws; the basis for review and development of tax laws; guidelines to stakeholders including investors on tax policy matters; guiding principles for the Kenyan tax system; and a legal framework for granting tax incentives to various sectors of the economy; 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). A Debt Risk Management Framework was also developed to ensure debt is maintained within sustainable levels. Towards, holistic management of information security of the PFM Systems, a draft information security (PFM Systems) policy has been developed. The Policy provides guidelines for operational environment including but not limited to Information Security governance, cyber security management, systems and applications security, communication security and human resource security. Additionally, the National Treasury developed the processes and procedures manual for Credit Guarantee Scheme to guide in the implementation of the Scheme.

Overall, leading economic indicators including interest rates, Foreign Exchange Reserves balance of payments and, money and credit for the fourth quarter of 2021 and the first quarter of 2022 recorded stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic. stable performance and point to strong recovery from the adverse impact of the COVID-19 pandemic.

Going forward, the National Treasury is committed to promoting Growth enabling investments through the implementation of the Economic Recovery Strategy. Specifically, the National Treasury will: Scale-up the COVID-19 response; Reduce debt vulnerabilities through revenue-driven fiscal consolidation plan that target to stabilize the debt to GDP ratio and subsequently put it on a downward path; Support structural and governance reforms while addressing weaknesses in state-owned enterprises; and, strengthen monetary policy framework and support financial stability.

### 5.2 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. The Committee has since developed a ministerial policy on the same in

line with the National Policy on environmental management and participated in planting trees in Machakos County thus contributing towards the 10 percent tree cover initiative.

### 5.3 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 and Departmental Training Committees that processes 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 attract and retain competent officers, the National Treasury conducted capacity building for the staff in various technical subjects and recruited officers at the entry grade to fill skills gaps and enhance human resource capacity. In addition, the National Treasury continued to implement succession management plan by declaring vacant posts to be filled by the Public Service Commission. Further, the National Treasury has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

### 5.4 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. This is undertaken mainly by the Competition Authority of Kenya, a State Corporation under the National Treasury.

### 5.5 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. The National Treasury continued to improve security within the building and its environs by use of CCTV cameras installed at the Treasury Building and at the entrances and maintained firefighting facilities at the premises in collaboration with the State Department for Public Works.

## 6. Statement of Management Responsibilities

Section 81 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government entity shall prepare financial statements in respect of that entity. Section 81 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 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, 2022. 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 Treasury Main Clearance report, which has been prepared on the Accrual 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, 2022. 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 Fund 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 Financial Statements were approved by on .....2022



.....  
Dr Julius M. Muia, PhD, CBS.

Principal Secretary



.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

**The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2022.**

---

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON TREASURY MAIN CLEARANCE FUND FOR THE YEAR ENDED 30 JUNE, 2022 - THE NATIONAL TREASURY**

---

### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Treasury Main Clearance Fund set out on pages 1 to 17, which comprise of the statement of financial position as at

30 June, 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Treasury Main Clearance Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Long Outstanding and Unsupported Balances**

As reported previously, the statement of financial position reflects a balance of Kshs.12,503,607,446 and Kshs.12,490,478,941 in respect of accounts receivables-debtors and accounts payables – creditors respectively. The balances have been outstanding for a long period of time and have not been supported. However, Management has stated that the amount relates to old balances that have been carried forward for many years and that it has submitted a draft revocation order to the National Assembly to wind up the Fund, the orders had not been acted upon by the National Assembly at the time of audit.

In the circumstances, in the absence of provision for doubtful debts, the recoverability of the long outstanding accounts receivables - debtors and the discharge of the creditors could not be confirmed.

#### **2. Unsupported Deficit Balance Brought Forward**

As reported previously, the statement of financial position 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 statement.

In the circumstances, the accuracy of the closing fund balance of Kshs.13,128,505 as at 30 June, 2022 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 adverse opinion.

## **Emphasis of Matter**

### **Delay in Winding Up of the Fund**

As reported previously, the Fund has been dormant for eleven (11) years. The National Treasury formed a task force on the winding up of dormant funds which included the Treasury Main Clearance Fund. Thereafter, The National Treasury sought and got legal opinion and recommendations from the Attorney General on the winding up of the Fund. A Cabinet Memorandum on winding up of the dormant funds was forwarded to the Attorney General in September, 2019 who advised that draft revocation orders be prepared on the same.

The Revocation Orders were prepared and submitted to the Cabinet for consideration and approval. On 2 March, 2021, the Head of Public Service communicated to the Cabinet approval for Revocation Order of the dormant funds. The Revocation Orders were submitted to the Attorney General's Office for onward transmission to the National Assembly for approval of the winding up of the dormant funds on 12 April, 2021. However, there was no evidence provided to prove that the Revocation Orders had been passed by the National Assembly and the process of winding up of the Fund had not been completed by the time of the audit.

### **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. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report..

## **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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm 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 (Accrual 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's ability to continue to sustain its 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's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

to 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

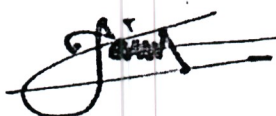
Nairobi

03 January, 2023

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

8. Statement of Financial Performance for the year ended 30 June, 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue- Non-Exchange Transactions</b>			
Transfers from Other Government Entities	6	Nil	Nil
<b>Total revenue</b>		<b>Nil</b>	<b>Nil</b>
<b>Expenditure</b>			
Transfers/Expenses	7	Nil	Nil
<b>Total expenses</b>		<b>Nil</b>	<b>Nil</b>
<b>Surplus/Deficit for the year</b>		<b>Nil</b>	<b>Nil</b>
Remission to Treasury			
<b>Net deficit for the year</b>		<b>Nil</b>	<b>Nil</b>



.....  
 Dr Julius M. Muia, PhD, CBS.

Principal Secretary




.....  
 Nemwel M. Motanya  
 ICPAK Member No. 2367  
 Head of Accounting Unit

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

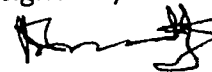
9. Statement of Financial Position as at 30 June, 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets - Current Assets</b>			
Cash and Cash Equivalents	8	-	-
Accounts Receivable	9	12,503,607,446	12,503,607,446
<b>Total Assets</b>		<b>12,503,607,446</b>	<b>12,503,607,446</b>
<b>Liabilities</b>			
Accounts Payable - Creditors	10	12,490,478,941	12,490,478,941
<b>Total Liabilities</b>		<b>12,490,478,941</b>	<b>12,490,478,941</b>
<b>Net Assets</b>		<b>13,128,505</b>	<b>13,128,505</b>
Fund Balance		13,128,505	13,128,505
<b>Total Net Assets</b>		<b>13,128,505</b>	<b>13,128,505</b>

The Financial Statements set out on pages 13 to 24 were signed by:



.....  
 Dr Julius M. Muia, PhD, CBS.  
 Principal Secretary

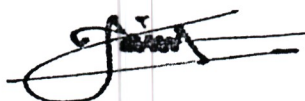


.....  
 Nemwel M. Motanya  
 ICPAK Member No. 2367  
 Head of Accounting Unit

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

10. Statement of Changes in Net Assets for the year ended 30 June, 2022.

	Fund Balance	Total
	Kshs	Kshs
At July 1, 2020	14,000,000.00	14,000,000.00
Surplus for the Year	(871,495)	(871,495)
At June 30, 2021	13,128,505	13,128,505
At July 1, 2021	13,128,505	13,128,505
Net Surplus for the Year	Nil	Nil
At June 30, 2022	13,128,505	13,128,505



.....  
 Dr Julius M. Muia, PhD, CBS.  
 Principal Secretary



.....  
 Nemwel M. Motanya  
 ICPAK Member No. 2367  
 Head of Accounting Unit

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

11. Statement of Cash Flows for the year ended 30 June, 2022.

	Notes	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from Operating Activities</b>			
Receipts		Nil	Nil
Total Receipts		Nil	Nil
<b>Payments</b>			
Total Payments		Nil	Nil
Net cash flows from Operating Activities	11	Nil	Nil
Net Increase in Cash & Equivalents		Nil	Nil
Cash & Equivalents at the year Start	8		
Cash & Equivalents at Year End	8	Nil	Nil

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

12. Statement of Comparison of Budget and Actual Amounts for the year ended  
 30 June, 2022.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance	%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Total Revenue	Nil	Nil	Nil	Nil	Nil	
Expenses						
Total expenditure	Nil	Nil	Nil	Nil	Nil	
Net Deficit	Nil	Nil	Nil	Nil	Nil	

Budget notes

### 13. Notes to the Financial Statements

#### Note 1: General Information

The Treasury Main Clearance Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012.

#### Note 2: Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of The Rural Enterprise Fund

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

#### Note 3: Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b>                      The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.                      IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard has no impact on the entity.</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b>                      The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol> <p>The standard has no impact on the entity.</p>

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard has no impact on the entity.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1<sup>st</sup> January 2023</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement Standard</i> no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p>The standard has no impact on the entity</p>
<p>IPSAS 43</p>	<p>Applicable 1<sup>st</sup> January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess</p>

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

	<p>the effect that leases have on the financial position, financial performance and cashflows of an Entity.                  The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.                  The Standard has no impact on the entity.</p>
<p>IPSAS 44:                  Non- Current                  Assets Held for                  Sale and                  Discontinued                  Operations</p>	<p>Applicable 1<sup>st</sup> January 2025                  The Standard requires,                  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:                  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.                  The standard has no impact on the entity.</p>

Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022.

Note 4: Summary of Significant Accounting Policies

a) Revenue recognition- Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly in June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

**The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2022.**

---

The budget is prepared on the same basis as the Financial statements thus there are no need for a reconciliation statement.

c) Provisions

Provisions are recognized when Treasury Main Clearance Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

d) Contingent liabilities

Treasury Main Clearance Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

e) Contingent assets

Treasury Main Clearance Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f) Nature and purpose of reserves

The has an accumulated surplus reserve that fund that facilitates the core mandate of the entity.

g) Changes in accounting policies and estimates

Treasury Main Clearance Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

i) Related parties

Treasury Main Clearance Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are also regarded as related parties.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

k) Comparative figures

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

l) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**Note 5: Significant Judgments and Sources of Estimation Uncertainty**

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

### Estimates and assumptions

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

### Useful lives and residual values

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

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

Note 6: Transfers from Other Government Entities

	2021-2022	2020-2021
	Kshs	Kshs
Total	Nil	Nil

Note 7: Transfers/Expenses

	2021-2022	2020-2021
	Kshs	Kshs
Total	Nil	Nil

Note 8: Cash and Cash Equivalents

	2021-2022	2020-2021
	KShs	KShs
Cash in Bank		
Total		

Note 9: Account Receivables

	2021-2022	2020-2021
	Kshs	Kshs
See Appendix v	12,503,607,446	12,503,607,446
Total	12,503,607,445.65	12,503,607,446

The National Treasury and Planning  
 Treasury Main Clearance Fund  
 Annual Reports & Financial Statements for the year ended June 30, 2022.

---

Note 10: Account Payable - Creditors

	2021-2022	2020-2021
	Kshs	Kshs
See Appendix v	12,490,478,941	12,490,478,941
<b>Total</b>	<b>12,490,478,941</b>	<b>12,490,478,941</b>

Note 11: Cash from Operating Activities

	2021-2022	2020-2021
	Kshs	Kshs
Net Surplus/Deficit for Year	Nil	Nil
Adjustments		
<b>Net Cash From Operating Activities</b>	<b>Nil</b>	<b>Nil</b>

## Financial Risk Management

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

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

### Credit risk

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

#### i) Liquidity risk management

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

#### iii) Capital Risk Management

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

## Related Party Disclosures

### Nature of related party relationships

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

The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2022.

---

### Government of Kenya

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

Other related parties include:

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

Transactions with related parties	2021-2022	2020-2021
	Kshs	Kshs
<i>There were no related party transactions</i>		
Total	-	-

### Surplus Remission

The Fund does not remit surpluses to the consolidated fund.

### Events after the Reporting Period

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

### Ultimate and Holding Entity

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

### Currency

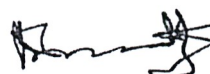
The financial statements are presented in Kenya Shillings (Kshs).

Appendix 1: Progress on Follow Up of Auditor Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Para. 134 – 137 The Report of The Auditor General on the Accounts of the National Treasury for the Financial Year 2019/2020	Long outstanding accounts Receivables- Debtors, Unsupported Accounts payables – Creditors, Unsupported deficit balance brought forward, prior years matter and failure to wind up the Fund.	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 and is before the National Assembly.	With the conclusion of the winding up, the issues raised by the Report of the Auditor will be fully resolved.	Within Financial Year 2022/2023



.....  
 Dr Julius M. Muia, PhD, CBS.  
 Principal Secretary



.....  
 Nemwel M. Motanya  
 ICPAK Member No. 2367  
 Head of Accounting Unit

**The National Treasury and Planning  
Treasury Main Clearance Fund  
Annual Reports & Financial Statements for the year ended June 30, 2022.**

---

**Appendix II: Projects Implemented by The Fund**

The Fund has no running projects.

### Appendix III: Inter-Fund Transfers

The Fund did not have any inter entity transfers.

.....  
Dr Julius M. Muia, PhD, CBS.  
Principal Secretary

.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

## Appendix IV: Recording of Transfers from Other Government Entities

The Fund did not have Transfers from other Government Entities.

.....  
Dr Julius M. Muia, PhD, CBS.

Principal Secretary

.....  
Nemwel M. Motanya  
ICPAK Member No. 2367  
Head of Accounting Unit

### Appendix V: Account Receivables

Details		Actual
		Kshs
003	The National Treasury	7,913,690.15
013	Police Headquarters	170,879.35
019	O.O.P – Immigration Department	433,000.25
021	Pension Department	(21,572,019.85)
032	Remittance to Crown Agent	2,341,896,517.60
7310101	Foreign Remittances	10,171,437,051.40
049	Ministry of Planning	1,712,108.85
054	Remittance to Karachi Agent	132,319.40
055	Remittance to Bombay Agent	454,920.15
058	Fluorspar Company Ltd	1,028,978.35
<b>Total</b>		<b>12,503,607,446</b>

**Appendix V: Account Payables – Creditors**

Details		Actual
		KSHS.
026	P.M.G Special	523,686.45
036	Advance Deposits	2,285,511,054.15
7310101	Advance Deposits	10,174,386,914.70
8820	Advance Deposits – Min. of Information	29,963,830.85
051	J.C.F Interest	93,454.55
<b>Total</b>		<b>12,490,478,941</b>

Appendix VI: Reporting of Climate Relevant Expenditures

Treasury Main Clearance Fund had no expenditure under climate change

Appendix VII: Disaster Expenditure Reporting Template

There was no expenditure under this category.