

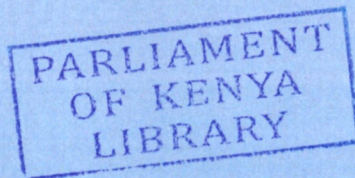
*by the Hon. Wabukari  
for Thursday 2/5/2018  
Moj*

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
TREASURY MAIN CLEARANCE FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI

28 FEB 2018

**RECEIVED**

---

**THE NATIONAL TREASURY**

**TREASURY MAIN CLEARANCE FUND (TMC)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30<sup>TH</sup>, 2017**

---

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

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**TABLE OF CONTENTS**

**PAGE**

I.	NATIONAL TREASURY INFORMATION AND MANAGEMENT.....	1-6
II.	FORWARD BY THE CABINET SECRETARY.....	7-14
III.	STATEMENT OF NATIONAL TREASURY MANAGEMENT RESPONSIBILITIES.....	15
IV.	REPORT OF THE INDEPENDENT AUDITORS ON THE FUND STATEMENT.....	16
V.	STATEMENT OF RECEIPTS AND PAYMENTS.....	17
VI.	STATEMENT OF ASSETS AND LIABILITIES.....	18
VII.	STATEMENT OF CASH FLOW.....	14-15
VIII.	SIGNIFICANT ACCOUNTING POLICIES.....	16
IX.	PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS .....	17-18
X.	NOTES TO THE FINANCIAL STATEMENTS.....	19-24

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**I. NATIONAL TREASURY INFORMATION AND MANAGEMENT**

**(a) Background Information**

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

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

**Vision**

An institution of excellence in economic and public financial management.

**Mission**

To promote economic transformation for shared growth through formulation, implementation and monitoring of prudent economic and financial policies at national and county levels of government.

**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, Teamwork and Staff as key asset and Equity, Fairness and Inclusion.

**Mandate of the National Treasury**

The National Treasury derives its mandate from Article 225 of the Constitution, Public Finance Management Act 2012 and the Executive Order No.2/2013. 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;

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

- 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 encourage support for county governments in performing their functions.
- Assist county governments to develop their capacity for efficient, effective and transparent financial management.
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill.
- 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.
- Coordinate capacity building of County Governments on public finance management matters.

**(b) Key Management**

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

**Office of the Principal Secretary**

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

**Organizational structure of the National Treasury**

The 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.

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**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.

**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

**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 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

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

<b>NO.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	Dr. Kamau Thugge, EBS
2.	Principal Administrative Secretary	Mr. Mutua Kilaka, CBS, SS
3.	Director General, BFEA	Dr Geoffrey Mwau, EBS
4.	Director General, Accounting Services	Mr. Bernard Ndung'u, MBS
5.	Director General, PIPM	Ms. Esther Koimett, CBS
6.	Director General, PDMO	Mr. Wohoro Ndohho
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	Mr. Christopher Oisebe
10.	Ag Director, Public Procurement Department	Mr. Eric Korir
11.	Director, Intergovernmental Fiscal Relations Dept.	Mr. Albert Mwenda, HSC
12.	Internal Auditor General	Mr. Alfayo Mogaka
13.	Ag Director, Government Accounting Services Dept.	Mr. Jona Wala
14.	Ag Director, National Sub County Treasuries	Mr. Tom Khakame
15.	Ag Director, Financial Management Information System	Mr. Jerome Ochieng
16.	Director, Public Private Partnership Unit	Eng. Stanley Kamau
17.	Director, National Assets and Liability Management	Mrs Beatrice Gathirwa
18.	Director, Government Investment and Public Enterprises	Mr. Kennedy Ondieki
19.	Director, Pensions Department	Mr Shem Nyakutu
20.	Director, Resource Mobilization Department	Mr. Jackson Kinyanjui, OGW
21.	Director, Debt Policy, Strategy and Risk Management Department	Mr. Daniel Ndolo
22.	Ag Director, debt Recording and settlement Dept.	Mrs Felister Kivisi
23.	Director of Administration	Mr David Oleshege, OGW
24.	Head, Accounts Division	Mr. George Gichuru
25.	Chief Finance Officer	Mr. Kimathi Mugambi, HSC
26.	Head, SCM	Mr. Peter Momanyi
27.	Director, Human Resource Management and Development	Ms. Susan Mucheru
28.	Ag Director, Information Communication and Technology	Mr. George Kariuki
29.	Head, Central Planning and Project Monitoring Unit	Mr. Antony Muriu
30.	Head, Public Communications	Mr. Maina Kigaga
31.	Programme Coordinator, Public Financial Management Reform Secretariat	Mr. Julius Mutua
32.	Head, Government Clearing Agency	Mr. Felix Ateg

**(d) Fiduciary Oversight Arrangements**

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

**Internal Audit Unit**

The National Treasury has a well-resourced internal Audit Unit. The unit is charged with the responsibility of 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 officers on a regular basis.

**Audit Committee**

The National Treasury established an audit committee comprising officers from all departments of the Ministry, under the chairmanship of the 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.

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

**Senior Management Committee**

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

**Public Financial Management Sector Working Group**

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

**Budget Implementation Committee**

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

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**(e) The National Treasury Headquarters**

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

**(f) The National Treasury Contacts**

Telephone: (254)020-2252299  
Email: [info@treasury.go.ke](mailto:info@treasury.go.ke)  
Website: [www.treasury.go.ke](http://www.treasury.go.ke)

**(g) The National Treasury Bankers**

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

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

## II. FORWARD BY THE CABINET SECRETARY

The National Treasury is mandated to coordinate economic and financial management of the country in accordance with section 12 of the Public Finance Management Act, 2012. Overall, the National Treasury has strived to maintain a policy environment that is conducive to economic growth and development of the country. As a result of consistent implementation of bold economic policies, structural reforms and sound macroeconomic management, the economy grew by 5.8 per cent in 2016 compared to 5.6 per cent in 2015. This was above the average 1.4 per cent growth rate registered for sub-Saharan Africa. The sectors that registered significant improved performance in economic activities were; accommodation and food services; information and communication; real estate; and transport and storage. Persistent drought hampered growth in the fourth quarter of 2016 impacting negatively on agriculture and electricity supply.

The annual inflation rate was 8.1% in June 2017 compared to 6.5% in the same period in June 2016. This was largely on account of high food prices following adverse weather conditions. The Kenya shilling exchange rate however continued to display relatively less volatility compared to the East African currencies while the official foreign exchange reserves held by the Central Bank grew to **US\$ 8,500 million** (5.7 month of import cover) in June 2017 from **US\$ 8,267 million** (5.4 months of import cover) in the same period in 2016. The economic growth and stable macroeconomic environment led to the creation of 832,900 new jobs in 2016 broken down into 85,600 jobs in the modern sector and 747,300 jobs in the informal sector.

Other key achievements during the period under review are;

- The National Treasury launched the M-Akiba Mobile Platform for issuance of Government Bonds on 23<sup>rd</sup> March 2017. The special limited offer achieved its **Kshs.150 million** target within 13 days. With 102,632 registrations, this offer demonstrated the appetite and zeal of Kenyans to adopt and use technology to boost their well-being. M-Akiba will enhance a savings culture among Kenyans and promote financial inclusion even to the unbanked population.
- The National Treasury mobilized external resources amounting to **Kshs.292.8 billion** in 2016/17 which was above the fiscal target of **153.0 billion**. This positive variance is mainly attributed to capacitating the economy to mitigate against the drought related challenges that affected the country.
- The National Treasury was able to prepare the 2017/18 budget under a revised tight calendar that took into account the preparations of the 2017 General Elections. In addition, the National Treasury also prepared a Pre- Election Economic and Fiscal Report which was published as provided for in the Constitution.
- In its commitment to deepen the Financial Markets the Ministry finalized the Nairobi International Financial Centre Bill that was subsequently approved by Parliament.

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

- The National Treasury hosted the 2<sup>nd</sup> High Level Meeting on Global Partnership on Economic Development Conference in Nairobi from 28<sup>th</sup> November to 1<sup>st</sup> December 2016, where ministers and high level representatives of developing and developed countries as well as heads of multilateral and bilateral development agencies committed to effective development cooperation as a means to achieve the universal Sustainable Development Goals (SDGs).

Some of the challenges the National Treasury faced while implementing the 2016/17 budget include:-

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

THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)

---

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

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



-----  
HENRY K. ROTICH, EGH  
CABINET SECRETARY

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**III. STATEMENT OF NATIONAL TREASURY MANAGEMENT RESPONSIBILITIES**

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

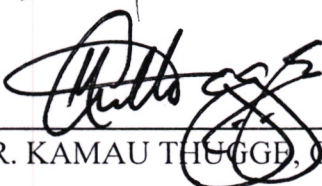
The Accounting Officer in charge of The National Treasury is responsible for the preparation and presentation of the Treasury Main Clearance (TMC) report, which give a true and fair view of the state of affairs of The National Treasury for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the status of the revenue collected by the National Treasury; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the revenue report, and ensuring that they are free from material misstatements, whether due to error or fraud.


The Accounting Officer in charge of The National Treasury accepts responsibility for the National Treasury's Main Clearance (TMC) report, which has been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that this Fund report gives a true and fair view of The National Treasury's Fund performance during the financial year ended June 30, 2017. The Principal Secretary in charge of The National Treasury further confirms the completeness of the accounting records maintained for The National Treasury, which have been relied upon in the preparation of this report as well as the adequacy of the systems of internal financial control.

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

**Approval of the Financial Statements**

The Treasury Main Clearance Fund was approved and signed by the Accounting Officer on  
22/12 2018

  
\_\_\_\_\_  
DR. KAMAU THUGGE, CBS  
Accounting Officer

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

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON TREASURY MAIN CLEARANCE FUND FOR THE YEAR ENDED 30 JUNE 2017

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of the Treasury Main Clearance Fund set out on pages 12 to 24, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Treasury Main Clearance Fund as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012

In addition, as required by Article 229(6) of the Constitution, based on procedures performed except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that nothing has come to my attention to cause me believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified of Opinion

##### 1. Winding up of the Fund

The Treasury Main Clearance Fund has not been in operation for a long time. Consequently, the Public Accounts Committee in its sitting made recommendations for the Fund to be wound up among other dormant Funds. However, over the years and despite the recommendations from the Public Account Committee, the National Treasury is yet to close the Fund's books of account and has continued to prepare and submit the Fund's financial statements for audit. The financial statements contain brought forward balances whose accuracy, existence and validity could not be vouched. On 3<sup>rd</sup> September, 2013 the National Treasury constituted a task force to

---

*Report of the Auditor-General on the Financial Statements of Treasury Main Clearance Fund for the Year Ended 30 June 2017*

review and recommend for closure of such dormant Funds, the taskforce has endlessly been seeking for extension of time to finalize their work. The management has not provided any plausible information on the progress made by the task force for the last five years of its existence.

## **2. Unresolved Prior Years Matters**

A review of the unsatisfactory matters highlighted in the audit report for 2015/2016 and prior years revealed that the issues still remained unresolved during the year 2016/2017 as indicated below:

### **i) Accounts Receivable - Debtors**

As was reported during the 2015/2016 and earlier years, the statement of assets and liabilities as at 30 June 2017 reflects an accounts receivable-debtors balance of Kshs.12,503,607,445.65 out of which Kshs.2,332,170,394.25 had not been analyzed. Consequently, the completeness and accuracy of the balance could not be ascertained. Further, the balance of Kshs.12,503,607,445.65 has been outstanding for a long period of time. No progress has been made so towards the recovery of the debts which have been due for many years,

### **ii) Accounts Payable – Creditors**

Similarly, as was reported during the previous year, the statement of assets and liabilities of the Treasury Main Clearance Fund Account as at 30 June 2017 reflects an accounts payable - creditors balance of Kshs.12,490,478,940.70 which included amounts of Kshs.523,686.45 under PMG special account of Kshs.2,285,511,054.15 under advance deposits, Kshs.29,963,830.85 under advance deposits - Ministry of Information and Communications and Kshs.93,454.55 under JCF interest all brought forward from 2015/2016 and earlier years. However, and as reported in the previous years, these amounts have not been analysed or supported with relevant documents.

Consequently, the completeness and accuracy of the creditors balance of Kshs.12,490,478,940.70 as at 30 June 2017 could not be ascertained and cleared from the books of account.

### **iii) Deficit Balance Brought Forward**

As was reported during the previous year, the statement of assets and liabilities as at 30 June 2017 also reflects a net financial position (closing fund balance) of Kshs.13,128,504.95 which constitute a deficit brought forward of Kshs.871,495 and fund balance brought forward of Kshs.14,000,000.00 that has not been reconciled. The balance as reflected in the statements of financial position without proper reconciliation cast doubt on the accuracy of the Treasury Main Clearance Fund statement.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Treasury-Treasury Main Clearance Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Treasury Main Clearance Fund 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 going concern 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 Treasury Main Clearance Fund's ability to continue as a going concern or 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 Treasury Main Clearance Fund's to cease to continue as a going concern or 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 Treasury Main Clearance Fund's 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.



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

**Nairobi**

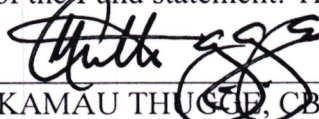
**19 April 2018**

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**


**V. STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>TAX REVENUES</b>			
Taxes on Income, Profits and Capital Gains		-	-
Taxes on Property		-	-
Taxes on Goods and Services		-	-
Taxes on International Trade & Transactions		-	-
Other Taxes		-	-
<b>TOTAL TAX REVENUE</b>		-	-
<b>NON TAX REVENUES</b>			
Fees on use of Goods/Services		-	-
Social Security Contributions		-	-
Property Income		-	-
Fines, Penalties and Forfeitures		-	-
Other Receipts – Treasury Main Clearance Account (TMC)		-	-
Sale of Goods and Services		-	-
Receipts from Sale of Non-Financial Assets		-	-
<b>TOTAL NON TAX REVENUE</b>		-	-
<b>TOTAL REVENUE COLLECTED</b>		-	-
<b>PAYMENTS TO CREDITORS</b>		-	-
<b>BALANCE BROUGHT FORWARD</b>		(871,495.05)	(871,495.05)
<b>BALANCE CARRIED FORWARD</b>	6	(871,495.05)	(871,495.05)

The accounting policies and explanatory notes to this Treasury Main Clearance Fund form an integral part of the Fund statement. This Fund statement was approved on 23/2/2018 and signed by:

  
DR. KAMAU THUGGE, CBS

Accounting Officer

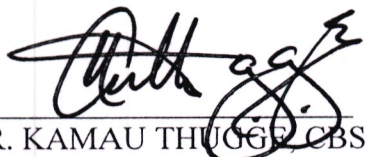
  
GEORGE K. GICHURU  
ICPAK Member No. 9262  
Head of Accounting Unit


THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	1	-	-
Cash Balances	2	-	-
<b>Total Cash and cash equivalent</b>		-	-
Accounts receivables - Debtors	3	12,503,607,445.65	12,503,607,445.65
<b>TOTAL FINANCIAL ASSETS</b>		<u>12,503,607,445.65</u>	<u>12,503,607,445.65</u>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Creditors	4	<u>12,490,478,940.70</u>	<u>12,490,478,940.70</u>
<b>NET FINANCIAL ASSETS</b>		<u>13,128,504.95</u>	<u>13,128,504.95</u>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	5	14,000,000.00	14,000,000.00
Surplus/Deficit b/fwd		(871,495.05)	(871,495.05)
<b>NET FINANCIAL POSITION</b>		<u>13,128,504.95</u>	<u>13,128,504.95</u>

The accounting policies and explanatory notes to this Treasury Main Clearance Fund form an integral part of the Fund statement. This Fund statement was approved on 23/2/2018 and signed by:

  
 DR. KAMAU THUGGE CBS  
 Accounting Officer

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

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017

VII. STATEMENT OF CASH FLOW

	Note	2016-2017	2015-2016
		Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Tax Revenues		-	-
Social Security Contributions		-	-
Proceeds from Domestic and Foreign Grants		-	-
Transfers from National Treasury		-	-
Transfers from Other Government Entities		-	-
Reimbursements and Refunds		-	-
Returns of Equity Holdings		-	-
Other Revenues		-	-
		-	-
<b>Payments for operating expenses</b>			
Compensation of Employees		-	-
Use of goods and services		-	-
Subsidies		-	-
Transfers to Other Government Units		-	-
Other grants and transfers		-	-
Social Security Benefits		-	-
Finance Costs, including Loan Interest		-	-
Other Expenses		-	-
		-	-
<b>Adjusted for:</b>			
Changes in receivables		-	-
Changes in payables		-	-
Adjustments during the year		-	-
<b>Net cash flow from operating activities</b>		-	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets		-	-
Acquisition of Assets		-	-
<b>Net cash flows from Investing Activities</b>		-	-

**THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017**

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

The accounting policies and explanatory notes to this Treasury Main Clearance Fund form an integral part of the Fund statement. This Fund statement was approved on 23rd 2018 and signed by:



DR. KAMAU THUGE, CBS

Accounting Officer



GEORGE K. GICHURU

ICPAK Member No. 9262

Head of Accounting Unit

## VIII. SIGNIFICANT ACCOUNTING POLICIES

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

### 1. Statement of Compliance and Basis of Preparation

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

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

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

### 2. Recognition of Revenue

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

### 3. Budget

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

### 4. Comparative Figures

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

### 5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2017.

**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

**IX. PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
AA13/2015/2016/1 Dated 24 January 2017	<ol style="list-style-type: none"> <li>1. Debtors not analysed and delays in recovery of debts.</li> <li>2. Creditors not supported with relevant Documents</li> <li>3. The difference between Balance brought forward and Calculated balances not reconciled</li> <li>4. No evidence on the Winding up of the Fund</li> </ol>	<p>This is a dormant Fund and the figures presented have been carried forward for many years. The Fund is among the ones intended to be wound up through the National Treasury taskforce on winding up of Dormant Funds.</p>	George K. Gichuru Head of Accounting Unit	Being Resolved	Within Financial Year 2017/2018

THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017



**DR. KAMAU THUGGE, CBS**  
Accounting Officer



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

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017

X. NOTES TO THE STATEMENT OF FINANCIAL POSITION

1. Bank Balances

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

Commentary on Actual Revenue against the Revised Estimates

N/A

THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017

2. Cash Balances

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

Commentary on Actual Revenue against the Revised Estimates

N/A

THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017

3. Accounts Receivables - Debtors

ANALYSIS OF DEBTORS	Original Estimates	Revised Estimates	Actual KSHS.	% Realized
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>12,503,607,445.65</b>	

**Commentary:**

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



THE NATIONAL TREASURY  
 FINANCIAL STATEMENTS  
 TREASURY MAIN CLEARANCE FUND (TMC)  
 FOR THE YEAR ENDED JUNE 30, 2017

5. Fund Balance b/fwd.

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

Commentary:

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



**THE NATIONAL TREASURY  
FINANCIAL STATEMENTS  
TREASURY MAIN CLEARANCE FUND (TMC)  
FOR THE YEAR ENDED JUNE 30, 2017**

---

**6. BALANCES CARRIED FORWARD**

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

