REPUBLIC OF KENYA

Approved
SNA
13/8/25

THE NATIONAL ASSEMBLY

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THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025

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THE SEVENTH REPORT OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION AND AGRICULTURE ON THE CONSIDERATION OF THE AUDITOR-GENERAL'S REPORTS ON THE FINANCIAL STATEMENTS OF SELECTED STATE CORPORATIONS

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 13 AUG 2025 DAY. Wednesday
TABLED BY: Hon. Emmanuel Wangwe, MP Chairperson of the Committee
CLERK-AT THE-TABLE: Halima Ahmed

DIRECTORATE OF AUDIT, APPROPRIATIONS & GENERAL-PURPOSE COMMITTEES
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI.

AUGUST, 2025

NATIONAL ASSEMBLY
RECEIVED
13 AUG 2025
SPEAKER'S OFFICE
P. O. Box 41842, NAIROBI.

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List of Abbreviations/Acronyms

PIC-SSAA	-	Public Investments Committee on Social Services Administration and Agriculture
Ag.	-	Acting
AG	-	Attorney General
CEO	-	Chief Executive Officer
CS	-	Cabinet Secretary
DCI	-	Directorate of Criminal Investigations
EACC	-	Ethics and Anti-Corruption Commission
FY	-	Financial Year
IAS	-	International Accounting Standards
NSDCC	-	National Syndemic Diseases Control Council
NSSF	-	National Social Security Fund
NCIK	-	National Cancer Institute of Kenya
CWSK	-	Child Welfare Society of Kenya

CHAIRPERSON'S FOREWORD

The Public Investments Committee on Social Services, Administration and Agriculture is one of the six Watchdog Committees in the thirteenth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure efficiency and effectiveness in the use of public resources. The Committee is established pursuant to National Assembly Standing Order 206 B.

The Public Investment on Social Services, Administration and Agriculture, with regard to the agriculture, public administration, health, and social protection sectors; examines the reports and accounts of public investments, examine the reports of the Auditor-General on public investments; and in the context of the autonomy and efficiency of the public investments, examine whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent Commercial practices. This ensures implementation of Article 229(8) of the Constitution on reports laid before the House by the Auditor-General.

In examining the accounts of the Auditor-General, the Committee invited accounting officers in each of the State Corporations under review adduce evidence before it.

There are more than four hundred (400) State Corporations undertaking different mandates in their respective sectors. Due to this large number, the previous Public Investments Committees had been unable to conclude examination of the accounts of the Auditor-General of these State Corporations.

Considering the workload and the backlog, the National Assembly resolved to amend the standing orders by splitting the Public Investment Committee into three Committees, Public Investments Committee on Social Services, Administration and Agriculture (PIC-SSAA) being one of them.

The Committee (PIC-SSAA), with a view to clearing the backlog in examining the reports of the Auditor-General, embarked on the process of inviting the accounting officers for the State Corporations under its mandate to adduce evidence before it. This report contains observations, findings, and recommendations arising from the examination of reports of the Auditor-General for four (4) state corporations for different financial years. The report is structured as follows:

i) General observations on each of the cross-cutting queries;
ii) Recommendations to each of the cross-cutting queries;
iii) Audit queries identified by the Auditor-General in his audit reports of each state corporation.
iv) Management responses to each of the queries;
v) Committee observations/ findings on each query; and
vi) Committee recommendations to each query raised

In this report, the Committee makes policy recommendations and at the same time recommends specific actions against specific officers. It further recommends further investigations of certain matters by competent investigative agencies such as the EACC and the DCI.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to fulfil its Constitutional mandate. The Committee further extends its appreciation to the Office of the Auditor-General for the services they offered to the Committee during the entire period.

I also extend my appreciation to my fellow Members of the Committee whose contributions and dedication to duty has enabled the Committee to examine the audit queries and produce this report.

On behalf of the Public Investments Committee on Social Services, Administration and Agriculture and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present the 7th Report of the Public Investments Committee on Social Services Administration and Agriculture on the examination of the Reports of the Auditor-General on the Financial Statements of four (4) State Corporations.

Signature...**Date**...13/08/2025...

HON. EMMANUEL WANGWE CBS, MP

CHAIRPERSON – PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION AND AGRICULTURE

EXECUTIVE SUMMARY

The 7th Report of the Public Investments Committee on Social Services, Administration and Agriculture contains the Committee's examination of four (4) State Corporations.

In its examination and scrutiny of the audited financial statements of the various State Corporations, the Committee's primary approach was to elicit background information as to why particular courses of financial and/or management actions were or were not taken. This was done with the relevant laws in mind, including the Constitution, the Public Finance Management Act, 2012, and the attendant Regulations, the Public Audit Act, 2015, the State Corporations Act, and the Public Procurement & Asset Disposal Act, 2015.

The preface of the report contains preliminaries on the establishment of the Committee, its Membership and Secretariat, mandate, and the guiding principles governing the Committee while undertaking its mandate.

Part two of the report contains the Committee's general observations/findings on cross-cutting issues and its recommendations.

Part three of the report contains reports of the specific State Corporations, Committee Observations, findings, and finally, Committee recommendations on the State Corporations.

PREFACE

1.1 Establishment and Mandate of the Committee

1. The Public Investments Committee is established under the National Assembly Standing Order (S.O.) 206B and is responsible for the examination of the working of public investments based on their audited reports and accounts. It is mandated to –

   i) examine the reports and accounts of public investments;
   ii) examine the reports, if any, of the Auditor-General on public investments; and
   iii) Examine, in the context of the autonomy and efficiency of public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

2. The Committee, in considering the audited accounts of State Corporations, was guided by the Constitution of Kenya and the following statutes and regulations in carrying out its mandate;

   i) The Public Finance Management Act, 2012;
   ii) The Public Audit Act, 2015;
   iii) The State Corporations Act, 1986;
   iv) The Public Procurement and Assets Disposal Act, 2015;
   v) The National Assembly Standing Orders; and
   vi) The National Assembly (Powers and Privileges) Act, 2017.

Committee Membership

3. The Committee membership comprises –

S/No	Member's Name	Constituency	Party
1.	Hon. Emmanuel Wangwe, MP CBS– **Chairperson**	Navakholo	ODM
2.	Hon. Caleb Amisi Luyai, MP- **Vice Chairperson**	Saboti	ODM
3.	Hon. Ferdinand Kevin Wanyonyi, MP	Kwanza	FORD-K
4.	Hon. Martin Peters Owino, MP	Ndhiwa	ODM
5.	Hon. Amb. Benjamin Langat,MP	Ainamoi	UDA
6.	Hon. Nixon Nicholas Ngikor Ngikolong, MP	Turkana East	Jubilee
7.	Hon. (Dr.) Lilian Gogo, MP	Rangwe	ODM
8.	Hon. Fatuma Jehow Abdi MP	Wajir	ODM
9.	Hon. Umulker Sheikh Kassim	Mandera	UDM
10.	Hon Elijah Njore Njoroge Kururia, MP	Gatundu North	Independent
11.	Hon. Caleb Mule Mutiso,MP	Machakos Town	MCCP
12.	Hon..Bishop Emeritus (Dr.) Jackson Kipkemoi Kosgei, MP	Nominated	UDA
13.	Hon. Joshua Kivinda Kimilu, MP	Kaiti	WDM
14.	Hon. Michael Wambugu Wainaina, MP	Othaya	UDA
15.	Hon. Paul Nabuin Ekwom, MP	Turkana North	ODM

Committee Secretariat

4. The following members of the Secretariat facilitated the Committee:

Mr. Aden Abdullahi

Principal Clerk Assistant I- Head of Secretariat

Ms. Christine Mariita **Clerk Assistant III**	Ms. Mercy Kinyua **Legal Counsel II**
Mr. Enock Manwa **Clerk Assistant III**	Mr. Thomas Ogwel **Fiscal Analyst I**
Ms. Esther Kariuki **Hansard Officer III**	Mr. Wesley Abugah **Research Officer III**
Mr. Moses Esamai **Audio Officer**	Ms. Maryan Gabow **Communication Officer III**
Mr. Stanley Langat **Senior Sergeant-At-Arms**	Mr Yakub Ahmed **Media Relations Officer II**

Committee Proceedings

5. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee received both oral and written evidence from Chief Executive Officers of various State Corporations.
6. To produce this report, the Committee held nine (9) sittings in which it examined the evidence adduced by the accounting officers of the four (4) State Corporations.
7. The recommendations are found under various sections of the report on each of the State Corporations examined.
8. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report for each of the State Corporations covered.
9. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability, and value for money in State Corporations and the public investments sector as a whole.

General Committee Observations and Recommendations

Lack of Possession and ownership documents on land and buildings.

10. The Committee observed and noted with concern that several public entities do not have title deeds for various parcels of land in their custody. Such cases were noted in the Child Welfare Society of Kenya, in which nineteen (19) parcels of land of an undetermined value did not possess title deeds. The National Social Security Fund had one of its land title deeds revoked through the Kenya Gazette, initially issued to a private developer, because the National Land Commission declared the parcel to have been reserved for public purposes.

Committee Recommendations

The Committee recommended that –

i) Within three (3) upon adoption of this report, the Accounting Officers for the respective State Corporations should liaise with the Principal Secretaries for the respective State Departments in the line Ministries and the National Land Commission to fast-track the process of acquiring title deeds to resolve ownership disputes and ensure legal actions are taken against private individuals who have illegally acquired public land.

ii) Within three months upon the adoption of this report, the Inspector General for the inspectorate of State corporations in collaboration with the Attorney General should compile a report of all the public lands with ownership disputes in various courts and submit to the National Assembly to be used as a basis of initiating inquiries on ownership status of the public lands and repossession where applicable. Also put caveats on all the parcels of State Corporations land that are in private hands.

iii) The National Assembly should enact a law prescribing that all public land ownership documents should centrally be held under the custody of the National Treasury for safekeeping.

Delay in availing documents to the Auditor-General

11. The Committee observed that some accounting officers did not avail complete and reconciled financial and accounting records/documentation in time for audit review and verification during the audit exercise leading to unnecessary queries. This is contrary to the provisions of Article 226 of the Constitution and Section 68(2) of the PFM Act 2012 which requires that the financial and accounting records are presented within three (3) months after the close of the financial year. Section 62 of the public Audit Act of 2015 obligates accounting officers to provide required documents for audit failure to which they be sanctioned.

Committee Recommendations

The Committee recommended that –

i) Accounting officers should always comply with the provisions of Section 68(2) of the Public Finance Management Act of 2012 by submitting all the required information for audit within the stipulated timelines.

ii) The Accounting Officer who fails to provide required information for audit pursuant to 62(1) of the Public Audit Act, CAP 412B should be prosecuted for the offence pursuant to Section 62(2) of the Public Audit Act CAP 412B.

Delayed Accountability of Imprest.

12. The Committee noted that some State Corporations were in breach of Section 71 of the Public Finance Management Act CAP 412A and the attendant regulations that require

surrender of imprests within seven days upon conclusion of the assignment for which the said imprest was issued.

Committee recommendations

The Committee recommended that –

i) The Accounting Officers should ensure that imprest advanced to officers is surrendered within the stipulated period of seven (7) days after return to the work station in accordance with section 93 of the Public Finance Management (National Government) Regulations, 2015.

ii) Within six months of the adoption of this report, the Accounting Officers who will have failed to take necessary steps to ensure that all outstanding imprests within their jurisdictions are recovered from the due date should be surcharged the full amount due.

iii) The Accounting Officer should submit a status report with evidence of recovery to the Auditor-General for audit and reporting.

Poor Governance

13. The Committee noted that some of the entities experience governance-related issues as follows;

i. Lack of Internal Audit Function and Audit Committee of the Board

The Committee observed that some entities did not have internal audit functions and internal Audit Committees. Where the internal audit function and Audit committees had been established perennial weaknesses in their functionality based on the audit issues raised by the Auditor-General were noted.

ii. Irregular Board meetings, Allowances and composition of Board Committees

The Committee noted that there were irregular allowances paid to Board members either by incorporating more members than legally stipulated or holding more meetings than stipulated or without approval by the State Corporation Advisory Committee (SCAC), Public Service Commission (PSC), the National Treasury and the Salaries and Remuneration Commission

iii. Ineffective Information Technology (IT) Internal and Management Controls

The Committee also noted that some entities lacked strong accounting systems/software capable of accurately recording financial transactions. The systems lacked key modules such as; payroll processing, human resource management, asset management, procurement, and proper interfaces. The entities also did not have in place approved IT strategic committees.

Committee recommendations

The Committee recommended that –

Within three months of the adoption of this report, the Accounting Officers should in collaboration with the respective line ministries and National Treasury initiate establishment internal Audit functions and audit committees, strengthen the IT systems and the respective committees, put in place measures to curb unnecessary Board meetings or extra membership in the Boards to reduce on nugatory costs.

Long outstanding receivables.

14. The Committee noted that some State Corporations experienced challenges in recovering their outstanding debts. This was also coupled with lack of collection or recovery mechanisms, lack of effective debt management policies, poor recording systems and co-ordination between the debtors and the recipient entities.

Committee recommendations

The Committee recommended that –

i. The Accounting Officers should ensure that there are proper and robust debt collection mechanisms, effective debt management policies and proper systems for recording the debts.

ii. Within three months upon adoption of this report all the entities with outstanding receivables should initiate recoveries within the statutory provisions and identify any such debts that would be deemed irrecoverable, justification for the cause, prepare a report on the same, have it approved internally by the Board and forwarded to the National Treasury for approval of the write-offs. A copy of such reports should be submitted to the National Treasury and the Auditor-General for review.

Long outstanding payables.

15. The Committee noted that although the PFM Act CAP 412A provides that any pending bills from the first charge in the subsequent financial year budget, some State Corporations experienced challenges in paying their outstanding debts. This was occasioned by poor budgetary controls and a lack of proper documentation to support the payables.

Committee recommendations

The Committee recommended that –

Within three months upon adoption of this report, all the entities with outstanding payables should prepare a report detailing how the payables arose, reasons for non-payment, measures taken to repay the debts and the reasonable timelines when such debts would be settled. A copy of such reports should be submitted to the National Treasury and the Auditor-General for review.

EXAMINATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE AUDITED ACCOUNTS OF NATIONAL SYNDEMIC DISEASES CONTROL COUNCIL (FORMERLY NATIONAL AIDS CONTROL COUNCIL) FOR THE FINANCIAL YEARS 2017/2018 TO 2023/2024

Mr. Douglas Bosire Ag. CEO of National Syndemic Disease Control Council was accompanied by Mr. Geoffrey Gitu (Chairman –Board of Directors), Mr. Bernard Kuria (Legal Officer), Mr Simon Macharia (D. Director Finance) and Mr. William Birech (Dir.HR) appeared before the committee to adduce evidence on the Audited Accounts of National Syndemic Disease Control Council for the Financial Year 2017/2018 to 2023/2024.

FINANCIAL YEAR 2017/2018

1. **Cash and Cash Equivalents**

16. The Committee heard that the statement of financial position reflects a cash and cash equivalents balance of Kshs. 834,396,362 as at 30 June 2018, as disclosed at note 18 to the financial statements, which includes the Cooperative bank IRAPP projects account balance of Kshs 1,212,020. However, the reconciliation statement reflects a cash book balance of Kshs 1,210,919, resulting in an unreconciled difference of Kshs. 1,101. In the circumstances, the validity, accuracy, and completeness of the Co-operative bank IRAPP project account balance of Kshs 1,212,020 as at 30 June 2018 could not be confirmed.

Management Response:

17. The management informed the Committee that NSDCC acknowledges and regrets the reconciliation difference of Ksh. 1,101. This was rectified in the financial statements of the financial year 2018/19.

Committee Observations

The committee observed that;

i) The Accounting Officer did not observe Regulation 90. (3) of the Public Finance Management - National Government Regulations 2015, which requires the Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken, including updating the relevant cash books.

ii) In consideration of the audit process where the audited entity and the auditors are in constant correspondence, Errors and variances point to inaccuracy in financial statements and could as well be indicators of weak internal controls where transactions are deliberately omitted to perpetuate fraud.

Committee recommendations

i) The Committee reprimands the then accounting officer for breach of Regulation 90. (3) of the Public Finance Management - National Government Regulations 2015, which requires the Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books.

ii) Within three months upon adoption of this report, the current Accounting Officer to furnish the National Assembly with report on the reporting structure of the Accounting and finance department and controls in place to deter and detect errors or similar manipulation of records.

2. Trade and other Payables from Exchange Transaction.

18. The Committee heard that trade and other payables from exchange transactions balance of Kshs 35,723,934 includes long outstanding payables to suppliers and service providers of Kshs 11,693,644. The NACC (NSDCC) has not explained why the long-standing payables have remained unsettled. Consequently, the validity of the long outstanding trade and other payables from exchange Transaction Balance of Kshs 11,693,644 as of June 30th, 2018, could not be confirmed.

Management Response

19. The management informed the Committee that NSDCC acknowledges that the outstanding payables as at 30 June 2018 amounted to Ksh 11,693,644, broken down as follows;

S/No	Vendor	Amount
1	Huzzan printers	3,889,250.00
2	Mass com Kenya	2,586,207.00
3	Kenya National Audit Office	825,000.00
4	Price Waterhouse Coopers	4,393,187.00
	Total	**11,693,644.00**

i. **Huzzan Printers**

On the matter of Huzzan Printers NSDCC disputed the amount through the Court process vide Civil Case No. 61 of 2013. Judgement was delivered on 31st January 2022, in favour of NSDCC upon which Huzzan printer lodged an appeal in the High Court at Nairobi (Civil Division) against the NSDCC.

The high court upheld the ruling of the lower court on November 28, 2024, and dismissed Huzzan Printers appeal

ii. **Mass com Kenya**

Amount was settled in the Financial Year 2018/2019 as per the attached vendor statement.

iii. **Kenya National Audit Office**

Amount was settled in the Financial Year 2018/2019 as per the attached per attached vendor statement.

iv. **Price Waterhouse Coopers**

Amount was settled in the Financial Year 2018/2019 as per the attached per the attached vendor statement

Committee Observations

The committee observed that;

i. The Accounting Officer was in breach of Section 53(8) of the Public Procurement and Asset Disposal Act CAP 412B for commencing procurement proceedings before ascertaining that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

ii. The then Accounting Officers' failure to pay the dues in time and eventually going to court is a pointer to poor governance, poor financial management, procurement, and contract management leading to nugatory expenditure in the form of court fees.

iii. There was no evidence that the amount of Kshs 11,693,644 owed to other suppliers was finally settled, and reasons why the suppliers were not paid, yet there were funds allocated during the financial year.

iv. The Prolonged non-payment to suppliers and service providers negatively impacted the entity's reputation and supplier relationships which caused Potential Risk of further litigation or Penalties caused by continued delay in settling obligations thus exposing the entity to legal disputes, penalties, or additional interest charges.

Committee Recommendations

The Committee recommended that;

i. Within three months upon adoption of this report, the Accounting Officer NSDCC to submit to the National Assembly a detailed report on the long-outstanding payables, detailing the reasons for non-settlement, and a clear action plan for settling the outstanding balances, the report should also include details of the lawyers who were involved in the legal proceedings against the NSDCC and how much they were paid.

ii. Within three months upon adoption of this report, EACC should investigate how Price Waterhouse Coopers was procured and submit a report to the National Assembly.

iii. Within three months upon adoption of this report, if any officer is found culpable, he/she should be held liable in accordance with section 197(1)(i) of the PFM Act CAP 412 for the offence of incurring a nugatory expenditure and the DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

FINANCIAL YEAR 2018/2019

1. Contingent liability.

20. The Committee was informed that note 33 to the financial statements which indicates that the Council is facing claims and litigations from several suppliers for which contingent liability of Kshs 10 million has been disclosed. Management has indicated that they are satisfied with the adequacy and appropriateness of the balance disclosed.

Management Response

21. The management informed the Committee that, as stated by the Auditor-General's report, the NSDCC was facing three litigations. The NSDCC management believed a contingency liability provision of 10M was adequate to cover liability that would arise in case the Courts ruled in favour of the litigants. The NSDCC confirms that the matters have so far been resolved.

Committee Observations

The Committee Observed that ;

i. The disclosure of Kshs 10 million in contingent liabilities indicated that the Council was exposed to possible financial obligations if the claims were to materialize, which may strain the Council's financial position.

ii. That while management had expressed satisfaction with the adequacy of the disclosed amount, the Committee noted that no detailed justification had been provided regarding the basis for the estimated liability and whether provisions for potential settlements have been considered.

iii. The then Accounting Officers' failure to pay the dues in time and the payees eventually going to court is a pointer to poor governance, financial management, procurement, and contract management leading to nugatory expenditure in the form of court fees.

Committee Recommendations

The Committee recommended that;

i. Within three months upon adoption of this report, the Accounting Officer NSDCC to submit to the National Assembly a detailed report on status of trade payables, pending court cases and provisions for contingent liabilities made in respect of each case.

ii. Within three months upon adoption of this report, EACC should investigate how the court cases arose, the procurement of the legal services, and the amounts paid to them, and submit the report to the National Assembly. Further, if any officer is found culpable for the nugatory expenditure, he/she should be held personally liable for any loss of public funds. DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

iii. In addition, the DPP should initiate a legal process if proved that the actions of any NSDCC officer led to incurrence of nugatory expenditure in accordance with section 197(1)(i) of the PFM Act CAP 412 to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

FINANCIAL YEAR 2019/2020

Budgetary control and performance.

22. The Committee was informed that the statement of comparison between budgeted and actual amounts indicates that during the year under review, the Council's budgeted and actual revenue totalled to Kshs. 1,055,180,000. and Kshs 1,119,785,426 respectively, resulting in a surplus of 9,605,426. Further, the Council's budgeted and actual expenditure totalled Kshs 1,055,180,000 and Kshs 970,402,410 respectively, resulting in an under-expenditure of Kshs 84,777,590 or 8% of the budget. The under-expenditure was within the allowed threshold of 10%.

Management Response

23. The management informed the Committee that, in the financial year 2019/2020, the under-expenditure was within the allowed threshold of 10%. The NSDCC has since endeavoured to maximuly absorb funds allocated in order to ensure effective service provision to the public.

The surplus of 9,605,426 was interest earned from deposits held in commercial banks, and the underspent amount of Kshs 84,777,590 was budgeted and utilized in the subsequent financial year. The under expenditure was within the allowed threshold of 10% as per the Auditors report.

Committee Observations

The Committee Observed that;

i. The under-expenditure could have been a result of delayed project implementation, procurement challenges, or cost-saving measures.

ii. Further, the underutilization by Kshs. 84,777,590 could have derailed the realization of the planned activities and public service delivery.

iii. The council based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.

iv. The issue of under absorption recurred annually over the past years and it could have been a pointer either to incompetency on the part of the preparing officers or deliberate delay due to interference from those charged with governance.

Committee Recommendations

The Committee recommended that;

i) Within three months upon adoption of this report, the Principal Secretary, State department for public health and professional standards should conduct a investigate the operations of NSDCC, with respect to financial activities on use of resources, staffing, procurement, its operations and submit a report of their findings to the National Assembly and Auditor-General for review.

ii) Within three months upon adoption of this report, the Director General, inspectorate of state corporations in accordance with its mandate outlined in Sections 18 and 19 of the State Corporations Act Cap 446 to investigate on all matters affecting governance and the effective running of NSDCC, s and submit a report of their findings to the National Assembly and Auditor-General for review.

FINANCIAL YEAR 2020/2021

1. Receivables from Non-Exchange Transactions.

24. The Committee was informed that the statement of financial position reflects receivables from non-exchange transactions balance of Kshs 20,720,191. and as disclosed in Note 22 to the financial statements. However, the following unsatisfactory matters were noted.

1.1. Long outstanding receivables.

25. Note 22 to the financial statements reflects an impairment amount of Kshs 81,560,092, which had been carried in the books of accounts for a long period of time. The National Treasury had not approved its write-off as requested by the Council.

Management response:

26. The management informed the Committee that, NSDCC acknowledges that the long outstanding balance of Ksh 81,560,092 whose recoverability by NSDCC proved doubtful and made a provision for this amount in the financial statement in compliance with International Public Sector Accounting Standard (IPSAS) number 21, which obliges Public organisations to assess whether there is any indication that an asset may be impaired and if there is such an indication then the entity shall estimate the recoverable amount. The monies in question were advanced to various groups and individuals as per the summary in the table below;

	The outstanding advances listed below were considered doubtful	
1	First World AIDS Day Commemoration Advance	2,161,700
2	ACU Advances	3,697,926
3	District Technical Committees	19,613,358
4	Advances to former employees	2,216,487
5	Community Based Organizations	782,283
6	TOWA PSI Advances	53,088,338
	Total	81,560,092

27. There is a full list of institutions/groups/individuals who were advanced the monies. The NSDCC continues to engage with the Ministry of Health, National Treasury, and other government agencies in following up on the recovery of these long outstanding advances. A consultative meeting was held between NSDCC and the National Treasury in the current

financial year 2024/2025 on the matter, and demand letters were issued. So far, NSDCC has received payments from the Ministry of Defense and the Anglican Church of Kenya- Diocese of Mt Kenya. Further, upon the lapse of the three-month notice period contained in the letters of demand, the NSDCC has escalated the matter to the Attorney General for further action as contained in the demand letters provided.

Committee Observations

i. The Public Investment Committee in its 22nd Report had discussed the issue and observed that:
    a. The Council had taken several steps to improve its financial systems, including automation of financial processes through the adoption of ERP, posting regional accountants to handle the Council's finances, and the use of mobile money for financial trail where disbursements were made.
    b. Some of the funds had been due for more than six years and the Statute of Limitation applies in such cases. The Council had sought and received the Board's approval to write off such debts.

ii. The committee observed that no approval from the National Treasury had been obtained to write off the debts, and no documentary evidence was submitted to prove that the several steps taken by the Council to improve their financial systems had yielded any value for the money expended.

iii. There was no progress in recovery of the receivable and recoverability in future appears doubtful.

Committee Recommendations

i. Within three months upon adoption of this report, the Accounting Officer for the Council to institute recovery measures include legal action against the officers who have not repaid or accounted for their advances.

ii. Within four months upon adoption of this report, the Accounting Officer for the Council should prepare and submit to the National Assembly a status report of the debts and the steps taken to ensure accountability of funds disbursed, especially in cases where it enters into partnership with different agencies.

1.2. Long outstanding imprests.

28. The Committee was informed that Note 22 to the financial statements reflects a staff imprest advances balance of Kshs 2,508,712, out of which Kshs 2,258,770 relates to the period between July 2008 and October 2019. The recoverability of the advances appears doubtful. In this circumstance, the accuracy and recoverability of the receivables from non-exchange transactions could not be confirmed.

Management Response

29. The management informed the Committee that the NSDCC acknowledges that there were advances to staff amounting to Ksh 2,258,770 advanced to staff between 2000 and 2019. These advances were issued as imprest to former employees who have since left the organization.

A breakdown of the long outstanding Imprests is listed on the table below.

Customer Name	Total	Remarks	Year of Exit
Margaret Gachara	694,801	Officer was charged in court and served prison term.	Court Case
Mathews Chepkwony	180,198	Deceased	2004-Deceased
Fredrick Nzioka	42,192	Demand letter Issued	2002
Meshack Ndolo	133,910	Demand Letter Issued	2002
Micah Kisoo	5,000	Demand letter Issued	2006
George Onang'o	8,800	Deceased	2006-Deceased
Edward Kisaka	396,653	Demand letter Issued	2008
John A. Otieno	509,730	Deceased	2012-Deceased
Yuko Matsuoka	177,136	Demand letter Issued	2012
Edward Gachoki	9,000	Demand letter Issued	2010
Boaz Cheluget	31,350	Demand letter Issued	2008
Crispine O. Opondo	70,000	Amount repaid	No outstanding
Total	**2,258,770**		

30. A consultative meeting was held between NSDCC and the National Treasury in the current financial year 2024/2025 on the matter. I wish to confirm that letters of demand to the former

employees have been made as advised by the National Treasury. The NSDCC has escalated the matter to the Attorney General for further action as contained in the demand letters.

Committee Observations

i. The Public Investment Committee in its 22nd Report had discussed the issue and observed that:

   a. The Council had taken several steps to improve its financial systems, including the automation of financial processes through the adoption of ERP, posting regional accountants to handle the Council's finances, and the use of mobile money for financial trail where disbursements were made.

   b. Some of the funds had been due for more than six years and the Statute of Limitation applies in such cases. The Council had sought and received the Board's approval to write off such debts.

ii. The committee observed that no approval from the National Treasury had been obtained to write off the imprest from the deceased, and no documentary evidence was submitted to prove that the several steps taken by the Council to improve their financial systems had yielded any value for the money expended.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer for the Council should prepare and submit to the National Assembly a status report of the outstanding imprests and the steps taken to ensure the recoverability of funds.

2. Inaccuracies in the Statement of Changes in Net Assets.

31. The Committee was informed that the statement of changes in net assets reflects a balance as at 1st July 2019 of Kshs 720,370,594, which differs from the corresponding balance of Kshs 745,136,393 reflected in the audited statements of the previous year, resulting in an unreconciled or unexplained variance amounting to Kshs 24,765,799. Further, the statements exclude the revaluation reserves balance of Kshs 205,022,345 reflected in the statement of financial position.

32. In these circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

Management Response

33. The committee was informed that NSDCC acknowledges and regrets the reconciliation difference and the exclusion of the revaluation reserve balance cited. This was rectified in the financial statements of the financial year 2021/22.

Committee Observations

The Committee observed that:

i) The statement of changes in net assets for the year ended 2021/2022 indicated that the adjustment of Kshs. 24,765,799 was not done as alleged in the response. The only adjustment disclosed was for the revaluation reserve of Kshs.205,022,345 thus the financial statements were misrepresented.

ii) The authorized Journal entries showing the two affected accounts were not provided to the committee, and therefore, it was not clear how the financial statements balanced without the revaluation reserve disclosed in the statement of changes in net assets.

iii) The revaluation report was not provided to the committee; therefore, the committee could not establish whether the revaluation incorporated in the financial statements was done by a competent/qualified, and registered valuer.

Committee Recommendations

i) The committee reprimands the then Accounting officer for breach of section 81(3) that provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time

ii) Within three months upon adoption of this report, the Accounting Officer for the Council should submit the revaluation report to the Auditor-General for review and reporting in the subsequent Audit cycle.

2. Misstatement of comparative balance for related party disclosure.

34. The committee was informed that Note 33 to the financial statements reflects related party disclosure comparative balance of Kshs 122,166,242. Which relates to the financial year 2018/2019 instead of Kshs 118,720,393 relating to the year 2019-2020. In the circumstances, the accuracy of the reported related party disclosure comparative amount of Kshs 122,166,242 could not be confirmed.

Management Response

35. The management informed the committee that NSDCC agrees with the Auditor-General's observation regarding the reconciliation difference cited. This was rectified in the financial statements of the financial year 2021/22.

Committee Observations

The Committee observed that the errors and misstatements don't have any impact on the financial statements, as it is a disclosure matter. However, it was misleading to the users of the financial statements.

Committee Recommendations

The committee reprimands the then Accounting officer for breach of section 81(3) PFM Act CAP 412A, which provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

3. Unresolved prior matter.

36. The committee was informed that a prior year audit issue on budgetary control performance remained unresolved as at 30 June 2021. Management has not provided reasons for the delay in resolving the prior year's audit issues. Further, the unresolved prior year issue is not disclosed in the Progress on Follow-up of Auditors' Recommendations section of the financial statements as required by the Public Sector Accounting Standards Board reporting template.

Management Response

37. The management informed the committee that NSDCC acknowledges and appreciates the issues raised by the Auditor-General on prior year unresolved audit matters and has since rectified the same in the subsequent years.

Committee Observations

The committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements, as required by the Public Sector Accounting Standards Board reporting template.

Committee Recommendations

The committee reprimands the then Accounting officer for breach of section 81(3) PFM Act CAP 412A, which provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

4. Deferred revenue.

38. The committee was informed that the statement of financial position, as disclosed in Note 28 to the Financial Statements, reflects a deferred revenue balance of Kshs 100 million, which was received on 4th December 2017 for purposes of acquiring Maisha Plaza. However, as at 30th June 2021, four years after receipt of the funds, the Council had not begun the process of acquiring the building. In the circumstances, the council is likely to lose out on funds earmarked for Maisha Plaza.

Management Response:

39. The management informed the committee that NSDCC received Kshs. 100 million for acquiring Office space, project number NACC.001/2019, against a request of Kshs. 1.1 billion. The matter of deferred revenue occurred following the lack of land allocation to commence the construction. After numerous follow-ups with various government agencies,

the NSDCC and Kenyatta National Hospital are currently working to put up a joint administration block at the Kenyatta National Hospital grounds.

40. The 100m was deposited in a current account in Citibank with the anticipation that the money would be put to use immediately. NSDCC experienced operational challenges with Citibank and obtained approval from the National Treasury to open a new bank account in ABSA Bank.

41. The NSDCC development Account held at Absa Bank was opened on October 25, 2021. The Citibank account was closed, and the available closing balance was transferred to the new account.

Committee Observations

The committee observed that;

i. The amount of Kshs. 100 million remains unutilized to date since its receipt on 4th December 2017 for the purposes of acquiring Maisha Plaza.
ii. The Council budgeted to acquire office space before securing fully owned land.
iii. The funds have been lying idle since 2017 and ought to have been returned to the National Treasury for re-budgeting since the intended purpose aborted before implementation.
iv. There was no evidence that the funds were deposited in the bank account and had not been irregularly reallocated to other Council's operational activities
v. The Council has been adamant in seeking allocation of land, and the request letter provided to the Committee was written in November 2024 as a cover-up to show that there was some progress after the Accounting Officer was invited by the committee.
vi. The amount allocated seven years ago was not sufficient for the project, since it required Kshs. 1.1 billion, and no other alternative source of funds or accommodation has been sought.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer should submit a comprehensive report to the National Assembly and the Attorney General on the availability of funds and land for the project and the status of the Kshs. 100 million deposited in a bank account, the accrued interest to date, and evidence of the same by way of certified bank statements. The Auditor-General should review and report in the subsequent cycle.

FINANCIAL YEAR 2021/2022

1. Unresolved Prior Year Matters

42. The Committee was informed that in the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Effectiveness of Internal Controls, Risk Management, and Governance. However, the Management has not resolved all the issues or given an explanation for failure to do so, in the format and contents prescribed by the Public Sector Accounting Standards Board.

Management Response

43. The management informed the committee that NSDCC acknowledges the issues raised on unresolved audit matters and commits to continue adhering to the requirements of the Public Sector Accounting Standards Board. Further, we will adhere to the recommendation of the Public Investment Committee on all audit issues raised by the Auditor-General.

Committee Observations

The committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements as required by the Public Sector Accounting Standards Board reporting template.

Committee Recommendations

The committee reprimands the then Accounting officer for breach of section 81(3)PFM Act CAP 412A, which provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

FINANCIAL YEAR 2022/2023

1. Budgetary Control and Performance

44. The committee was informed that the statement of comparison of budget and actual amounts reflects the income budget of Kshs. 1,784,118,968 and actual revenue on a comparable basis of Kshs.1,529,945,655 resulting in a revenue shortfall of Kshs. 254,173,313 or 14% of the budget. Similarly, the Council spent Kshs. 1,365,070,176 compared to the approved budget of Kshs.2,194,529,776 resulting to under absorption of Kshs. 898,459,600 or 38%. The underfunding and underperformance may have affected the Council's key mandate of coordinating the HIV and AIDS response in Kenya.

Management Response

45. The management informed the committee that the revenue shortfall of Ksh 254,173,313 resulted from the NSDCC receiving only Ksh 1,529,945,655 instead of the allocated Ksh 1,784,118,968. Further disbursements amounting to Ksh 201,000,000 of the allocated funds were made in the last month of the financial year, hindering the ability of NSDCC to absorb these funds. These funds were appropriately budgeted for and utilized in the subsequent financial year.

Committee Observations

i. The committee observed that the NSDCC received actual funding of Kshs. 1,529,945,655. However, they utilised Kshs. 1,365,070,176 only leaving the balance of KShs. 164,875,479 as unutilized funds during the year.
ii. The underutilization by Kshs 164. 875,479 derailed the realization of the planned activities and public service delivery. The council based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.

Committee Recommendations

The Committee recommends that –

The Accounting Officer should ensure at all times that the budgets are realistic, achievable, and always adhere to annual work plans, procurement plans, and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

2. Decline in Accumulated Surplus Balance

46. The Committee was informed that the statement of financial performance reflects a deficit of Kshs.65,225,763, while the statement of changes in net assets reflects an accumulated surplus balance of Kshs. 376,308,053, which has declined from the accumulated surplus balance of Kshs. 629,570,629 as at 30 June 2021 on account of deficits registered in the past two years, totaling Kshs. 253,262,576, which Management has attributed to non-remittance of recurrent budgetary allocations.

Management Response

47. The decline in the accumulated surplus was due to the shortfall in the disbursement of allocated funds. For the FY 2022/23, the NSDCC was allocated 877,000.000 but only received 690,250,000. From the exchequer having a shortfall of Ksh 186,750,000 for the financial year 2022-23, this resulted in the council having a deficit in the statement of financial performance, hence reducing the accumulated surplus.

Committee Observations

i. The committee observed that the NSDCC mainly relies on exchequer funding for its operations with no other reliable own source of funding. However, the Council's reporting a deficit implies that the management utilized funds not earned/received in the year under review and could have resulted in irregular reallocations.

ii. Despite the underutilization by Kshs 164. 875,479 that had derailed the realization of the planned activities and public service delivery, the Council still reported a deficit of Kshs.65,225,763, implying poor budgeting, financial management, and control, and the projections of revenue and expenditure were based on weak assumptions.

Committee Recommendations

The Committee recommends that –

i. The Accounting Officer should ensure at all times that the budgets are realistic, achievable, and always adhere to annual work plans, procurement plans, and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

ii. Within three months upon adoption of this report, the DPP should initiate prosecution under section 199 of the PFM Act, CAP412A, if the officer(s)responsible for the irregular reallocations of Kshs. 65,225,763, contrary to section 43(2) of the PFM Act CAP412A, which provides that an accounting officer for a national government entity, other than a state corporation, may reallocate funds between programs, or between Sub-Votes, in the budget for a financial year.

3. Budget Deficit

48. The Committee was informed that the statement of comparison of budget and actual amounts reflects the final revenue budget of Kshs. 1,784,118,968 and the final expenses budget of Kshs.2,194,529,776 resulting in a budget deficit of Kshs.410,410,808 contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 on budget guidelines, which always provides that during budget formulation and approval, the budget shall be balanced. In the circumstances, Management was in breach of the law

Management Response

49. The management informed the committee that it acknowledges the cited deficit of Ksh 410,410,808 as reflected in the statement comparison of budget and actual amounts. The final budget column of the statement of comparison of budget and actual amounts reflected a budget of KSh 1,527,769,160 for other payments in the submitted Financial Statements. However, the final approved budget for this expenditure item was Ksh 1,117,358,352, resulting in a variance of Ksh 410,410,808. This does not have an impact on the financial statements as agreed with the auditors since the council received actual revenue of Ksh 1,529,945,655 against actual expenditure of Ksh 1,365,070,176.

Committee Observations

The Committee observed that;

i. The Management of the NSDCC had a final revenue budget of Kshs.1,784,118,968 and final expenses budget of Kshs.2,194,529,776 resulting to budget deficit of Kshs.410,410,808. This implied that the budget was not balanced contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 on budget guidelines.

ii. The budget as presented was inaccurate and incomplete which could have been a strategy to conceal actual receipts from other sources.

Committee Recommendations

The Committee recommends that –

i. The Committee reprimands the then accounting officer for breach of Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 on budget guidelines.

ii. The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

iii. Within three months upon adoption of this report, the Accounting Officer- NSDCC should provide a detailed report on how the Council intended to finance the deficit to the National Assembly and to the Auditor-General for review and reporting in the subsequent audit cycle.

FINANCIAL YEAR 2023/2024

1. Budgetary Control and Performance

50. The statement of comparison of budget and actual amounts reflects the final income budget of Kshs. 2,009,488,195 and the actual on a comparable basis amount of Kshs.1,626,250,133 resulting in an underfunding of Kshs. 383,238,062 or 19%. Similarly, the Council spent Kshs. 1,598,786,567 against actual receipts of Kshs.1,626,250,133 resulting to under expenditure

of Kshs. 27,463,566. The underfunding and under-expenditure affected the planned activities and may have negatively impacted service delivery to the public.

Management Response

51. The Management informed the committee that NSDCC concurs with this observation and wishes to provide the following explanation.

i) Out of Ksh 52,000,000 allocated for "elimination of Mother to Child Transmission of HIV (eMTCT), only Ksh 26,000,000 (50%) was disbursed.

ii) Similarly, of the Ksh 795,241,337 development grant allocation, Ksh 348,241,337 (56%) was disbursed.

iii) The NSDCC was able to mobilise Appropriation In Aid amounting to Ksh 10,350,854 against a budget amount of Ksh 20,000,000, resulting in a shortfall of Ksh 9,649,146

iii) Cumulatively, the shortfall amounts to Ksh 383,238,062 as indicated by the Auditor-General. The failure to receive funds allocated to NSDCC had a negative impact on the reported revenue and expenditure.

Committee Observations

The committee observed that;

i. The NSDCC received actual funding of Kshs. 1,626,250,133. However, they utilized Kshs. 1,598,786,567 only leaving the balance of KShs. 27,463,566 as unutilized funds during the year.

ii. The underutilization by Kshs. 27,463,566 derailed the realization of the planned activities and public service delivery. The council based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

2. Long Outstanding Doubtful Debts

52. The committee was informed that the statement of financial position, as disclosed in Note 18 to the financial statements, reflects receivables from non-exchange transactions, a balance of Kshs. 535,088. It was noted that the Council is owed Kshs. 81,560,092, which remained outstanding for more than three (3) years without recovery. In the circumstances, the operations of the Council may be affected by the delayed payment of debts.

Management Response

53. The Management informed the committee that NSDCC acknowledges that the long outstanding balance of Ksh 81,560,092 whose recoverability by NSDCC proved doubtful and made a provision for this amount in the financial statement in compliance with International Public Sector Accounting Standard (IPSAS) number 21, which obliges Public organisations to assess whether there is any indication that an asset may be impaired and if there is such an indication then the entity shall estimate the recoverable amount. The monies in question were advanced to various groups and individuals as per the summary in the table below;

	The outstanding advances listed below were considered doubtful	
1	First World AIDS Day Commemoration Advance	2,161,700
2	ACU Advances	3,697,926
3	District Technical Committees	19,613,358
4	Advances to former employees	2,216,487
5	Community Based Organizations	782,283
6	TOWA PSI Advances	53,088,338
	Total	**81,560,092**

Committee Observations and Recommendations

The Committee upholds the observations and recommendations made in 22nd Report and similarly in its report for the financial year 2020/2021.

3. Unresolved Prior Year Matters

54. The committee was informed that in the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues as at 30 June, 2024.

Management Response

55. The management informed the committee that NSDCC acknowledges the issues raised and has implemented the Auditor-General's recommendations under the report on lawfulness and effectiveness in the use of public resources under the financial year 2022/2023 Auditor-General's report.

Committee Observations

The committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements, as required by the Public Sector Accounting Standards Board reporting template.

Committee Recommendations

The committee reprimands the then Accounting officer for breach of section 81(3) of the PFM Act CAP 412A, which provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

4. Missed Performance Targets

56. Review of the Council's performance revealed that Reduction of New HIV Infections, Sexual Gender Based Violence and Teenage Pregnancy (Triple Threat) among Adolescents and Young People (10-24 years) had a target of five thousand eight hundred and forty-seven (5,847) but only five thousand and thirty was achieved resulting to missed target of eight hundred and seventeen (817). Further, Access to Government Procurement Opportunities (AGPO) had a target of Kshs. 185,100,00 but only Kshs. 129,800,000 was achieved, resulting

in a missed target of Kshs. 55,300,000. In the circumstances, the Council may not achieve its strategic mandate.

Management Response

57. The management informed that the management acknowledges the audit finding on the missed target and wishes to respond as follows:

i. The NSDCC targeted to achieve a 20% reduction in the number of new HIV Infections among adolescents and young people aged 10-24 years from 7,308 to 5,847. New HIV infections among adolescents and young people aged 10-24 years reduced from 7,308 to 5,030, translating to a 31% reduction in new infections. Therefore, this target was exceeded. Please refer to the link for the 2023 HIV estimates, which had not been validated at the time of the audit.

ii. The NSDCC acknowledges failure to meet the AGPO target. This was as result of revenue shortfall amounting to Ksh 383,238,062 during the financial year. This affected the ability of the council to meet the AGPO target.

Committee Observations

The Committee observed that;

i. The NSDCC had targeted to achieve a 20% reduction in the number of new HIV Infections among adolescents and young people aged 10-24 years from 7,308 to 5,847. However, new HIV infections for the group reduced from 7,308 to 5,030, translating to a 31% reduction in new infections and thus the target was exceeded.

ii. Access to Government Procurement Opportunities (AGPO) figure was provisional yet the financial statements were prepared after the closure of the financial year thus the management response is misleading implying non-compliance with section 157(10) of the Public Procurement and Asset disposal Act CAP 412 C and Section 30 of the PFM Act CAP 412A.

iii. NSDCC did not provide the list of the companies, and the amount was awarded to each under AGPO procurements to the committee.

Committee Recommendations

Within three months upon adoption of this report, the DPP should initiate a legal action against the then Accounting Officer, the procurement Officer and any other officer found culpable for breach of Section 157(10) of the Public Procurement and Asset disposal Act CAP 412 C and Section 30 of the PFM Act CAP 412 A which is an offence punishable under Section 199 of the Public Finance Management Act CAP 412 A.

5. Failure to Submit Car Loan and Mortgage Financial Statements

58. The Committee was informed that the statement of financial position, as disclosed in Note 15 to the financial statements, reflects a cash and cash equivalents balance of Kshs. 334,025,084. Included in the balance is Kshs. 3,295,269 for the staff mortgage scheme and a nil balance for the car loan scheme, both managed by a bank. However, the financial statements for the car loan and mortgage scheme were not provided for audit verification. This was contrary to Regulation 101(4) Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board, not later than three (3) months after the end of the financial year and submit them to the Auditor-General with a copy to the County Treasury, the Controller of Budget and the National Treasury. In the circumstances, Management was in breach of the law.

Management Response

59. The management informed the Committee that NSDCC acknowledges the need to prepare NSDCC's car and mortgage financial statements. The council has prepared and submitted financial statements for the car loan and mortgage scheme for audit.

Committee Observations

i. The Accounting Officer was in breach of Section 68 (2) (k) of the Public Finance Management Act CAP 412 that requires the Officer to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury.

ii. The balance of Kshs. 3,295,269 and its genesis, that is Car loans and mortgages disbursed to the staff were not accounted for.

Committee Recommendations

i. Within three months upon adoption of this report, the Accounting Officer should prepare and submit a report to the National Assembly and the Auditor-General on the car loans and mortgages disbursed to the staff during the years of operation for review. The Auditor-General should review and report the findings in the subsequent audit cycle.

ii. The Committee reprimands the then Accounting Officer and the then Fund Administrator for breach of Section 68 (2) (k) of the Public Finance Management Act CAP 412.

6. Understaffing of the Council

60. The Committee was informed that during the year under review, the Council had an approved establishment of two hundred and thirty-nine (239) members of staff. However, only one hundred and forty-six (146) were in post resulting to the understaffing by ninety-three (93) positions. In the circumstances, the effectiveness of the Council with the existing staff deficits could not be confirmed.

Management Response

61. The management informed the committee that it concurs with the Auditor-General's observation. To mitigate the gap identified, the NSDCC requested and was granted authority by the National Treasury to fill thirty (30) priority positions to ensure effective delivery service. Currently, the Council has filled 166 of the 239 approved staff establishment positions and will progressively continue to fill the remaining positions upon the availability of budget and requisite approvals.

Committee Observations

The NSDCC is mainly funded by the exchequer for its operations with no other reliable own source of funding. However, the Council did not justify whether budget estimates did at any point in time provide for proposed recruitments and the respective salaries.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer should provide a status report to the National Assembly on the unfilled staff establishment and recommended ways of filling it, as well as the approved source of funding for the cost of the recruited staff salaries and allowances.

EXAMINATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE AUDITED ACCOUNTS OF THE NATIONAL SOCIAL SECURITY FUND FOR THE FINANCIAL YEAR 2021/2022.

Mr. David Koross, Managing Trustee/CEO National Social Security Fund was accompanied by Ms. Mr. Ronald Nyamosi (General Manager Finance), Marietta Mutinda (Finance Manager),Mr. Peter Muiruri (Manager Property Development) and Ms. Carolyne Mutunga (Marketing Officer) appeared before the Committee to adduce evidence on the Audited accounts of National Social Security Fund for the Financial year 2021/2022.

FINANCIAL YEAR 2021/2022

1. **Variances in opening balances**

62. The Committee heard that the opening balances for two (2) items reflect a total of Kshs.323, 024,763, while the audited closing balances reflected a total of Kshs. 323,161,185 for the same items, resulting in an unreconciled variance of Kshs. 136,422 as shown below:

Item	2021/2022 Financial Statements Balance (Kshs.)	2020/2021 Financial Statements Balance (Kshs.)	Variance (Kshs.)
Staff Loans	230,590,974	232,727,396	(2,136,422)
Other Income	92,433,789	90,433,789	2,000,000
Total	**323,024,763**	**323,161,185**	**(136,422)**

63. In the circumstances, the accuracy and completeness of the comparative balances the staff loans and other income could not be confirmed.

Management response

64. The management informed the Committee that, during the 2020/2021 audit, 'other income" was adjusted after a casting error was discovered and the adjusted financial statements bearing the corrected figures (as indicated in 2021/2022 opening balances) were submitted on 27th May, 2022. Staff Loans figure remained Kshs 230,590,974 meaning there was no difference in closing and opening balances for both years.

65. The Fund noted that certification was done to an earlier version received by the Auditor on 23rd May 2022 that bore the Kshs 90,433,789.00 instead of Kshs.92,433,789 while the final amended statements were received on 27th May, 2022. During *the* preparation of 2021/2022, the correct balance was picked for accuracy and consistency.

Committee observation

The committee observed that –

i. The unreconciled variance of Kshs.136,422 between opening and audited closing balances indicated a non-compliance with IPSAS 1 (Presentation of Financial Statements), which requires that opening balances of the current period must align with the closing balances of the previous period. This discrepancy compromised the integrity of financial reporting.

ii. The difference was as a result of a casting error discovered, adjustments were made in financial statements in 2021/2022 opening balances submitted on 27th May, 2022, but the auditors based their report on financial statements submitted earlier and audited before the said adjustments were affected, and thus the variance. However, this implies that NSSF did not communicate the changes to the auditors, and therefore, the adjustments were not verified for authenticity.

Committee Recommendations

The committee recommends that –

The Committee reprimands the then Accounting Officer for failing to appropriately communicate the amendments to the financial statements to the Auditor-General for audit review and eventual reporting, leading to unreconciled balances that are questionable to the Auditor-General.

2.0 Unsupported Salaries and Allowances

66. The Committee heard that the statement of changes in net assets available for benefits reflects the staff cost of Kshs. 3,839,298,069 as disclosed in Note 13 to the financial statements. Included in the staff costs are salaries and allowances amounting to Kshs. 3,117,840,121. However, the supporting ledgers reflect an amount of Kshs. 3,145,463,745 resulting to an unreconciled variance Kshs. 27,623,624.
67. In the circumstances, the accuracy of salaries and allowances of Kshs. 3,117,840,121 not be confirmed.

Management response

68. The management informed the Committee that the amount of Kshs.3,145,463,745 captured in the audit report is not the correct figure in the final audit schedules. The correct amount is Kshs. 3,143,774,532.85.The amount of Kshs. 3,143,774,532.85 includes an amount of Kshs. 44,707,264.06, which relates to meal allowance, accounted for under Note 14 (Admin Costs), leaving a balance of Kshs3,099,067,289, which is pure staff costs. In addition, there are staff-related costs that have been processed through journal entries, amounting to Kshs 18,772,852.
69. Therefore, the total staff costs are a summation of Kshs 3,099,067,289 and 18,772,852, giving a total of Kshs 3,117,840,121
70. In view of the above, the Auditors' computed variance does not compare the correct numbers. The makeup of staff costs of Kshs 3,117,840,121 is as summarized in the table below: the management confirms that there is no unreconciled variance between the staff costs and the payroll schedules.

Committee observation

The Committee observed that –

Salaries and allowances consisted of expenditure items in the payroll and adjustments posted from finance for items not originating from payroll, such as final dues, transport allowances for staff on transfer, among others, leading to variances as noted by the auditors. However, the NSSF management ought to have made payments through the payroll for tax purposes, and a proper explanation given to the auditors during the audit. Failure to give an explanation to the auditors during the audit amounted to dereliction of duty, punishable under section 62 of the Public Audit Act CAP 412 B.

Committee Recommendations

The Committee recommends that-

The Committee reprimands the then Accounting Officer for dereliction of duty punishable under section 62 of the Public Audit Act CAP 412 B.

3.0 Non-Performing Investment in Unquoted Equities

71. The Committee heard that the statement of net assets available for benefits reflects the unquoted stocks balance of Kshs466,465,299 as disclosed in Note 27 to the financial statements. Included in the balance are investments in three (3) companies which had not declared dividends on investments worth Kshs. 408,752,504 as shown below;

Company	No of Shares	Value
Consolidated Bank Ordinary Shares	2,225,000	86,694,264
Consolidated 4% Cumulative Preference Shares.	8,050,000	161,000,000
UAP Holdings Limited	1,116,460	161,058,240
Total	**11,391,460**	**408,752,504**

72. The Fund continues to hold investments with no return by way of dividends or capital appreciation. The carrying valuation for the investment in the three companies has not been determined.

73. In the circumstances, the accuracy and fair valuation of the unquoted stocks could not be confirmed.

Management response

74. The management informed the Committee that the unquoted stocks are not for sale, hence held at the cost of Kshs. 408,752,504 as per the provisions of IAS 26.

75. The Fund has been monitoring the performance of Consolidated Bank with a view to divesting. Consolidated Bank tabled a turnaround strategy to shareholders, which hinges upon recapitalisation for the bank to return to profitability. The bank has indicated that discussions will be held with shareholders and the Fund, alongside the appointed Fund Manager, Old Mutual Investment Group, is exploring various exit options which will be optimal for the Fund.

Committee observation

The Committee observed that –

i. The Fund continues to hold investments with no return by way of dividends or capital appreciation, and therefore, the value for money on the investment is worth Ksh 408,752,504 had not been achieved. The market value of these investments has been eroded by the inflationary effects in the economy without any corresponding gain in terms of interest or capital gains.

ii. The Committee further noted that management holding non-performing investments contradicted the principles of sound financial management and prudent use of public resources as outlined in Article 201 (d) of the Constitution.

Committee Recommendations

The Committee recommends that;

i) Within three months upon adoption of this report, the Accounting Officer and the Board of the Fund should review its investment policy to align with the principles of sound financial management and prudent use of public resources as outlined in Article 201 (d) of the Constitution and the NSSF Act. A copy of the approved investment policy should be submitted to the National Assembly and the Auditor-General within this period for review.

ii) Within three months upon adoption of this report, the Board and the Accounting Officer should initiate the recoupment of the Fund of Kshs. 408,752,504 invested with no returns and submit a report within the same period to National Assembly of the status and evidence of recoupment or steps taken.

iii) Within three months upon adoption of this report, the National Assembly should amend the PFM Act , CAP 412A and the attendant Regulations to create a provision that any officer who invests recklessly to the effect that the investment results into loss of public funds, to be held personally liable for the loss in Capital invested and the interest that would have been deemed to accrue at the CBK prevailing rates.

4.0 Investment in Non-Performing Quoted Equities

76. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 28 to the financial statements reflects a balance of Kshs. 57,804,630,700 representing the Fund's investment in quoted stocks. Included in the balance is Kshs. 221,601,474 for shares held by the Fund, three (3) quoted as detailed below;

Company	No of Shares	Price as at June 2022	Value
Athi River Mining	2,957,500	5.55	16,414,125
East African Portland Cement	24,300,000	8	194,400,000
Sameer Africa	2,838,776	3.8	10,787,349
Total			**221,601,474**

77. A review of the status of investment in quoted stocks confirmed that the Fund entered into contractual agreements with six (6) Fund Managers namely; Old Mutual Asset Management (K) Ltd, CIC Asset Management Ltd, Sanlam Investments EA Limited, Gen Africa Investment Management Limited, African Alliance Asset Management Limited and Coop Trust Investment Services Limited. The Fund Managers were to have full control and

unrestricted power to invest the Fund's money as per the investment policy for maximum returns to the Trustees.

78. Further, Athi River Mining was set for liquidation by September 2021 and eventually delisting from the Nairobi Securities Exchange after more than two years under administration which failed to revive its operations. Moreover, the company's stock was suspended from trading on the NSE indefinitely, effective May 8, 2020. Further, the East African Portland Cement Company revenues have been declining offsetting gains from reduced cost of sales and the Kenya Commercial Bank attached a debenture to all the Company's assets in a demand for the repayment of an outstanding Kshs. 6 billion.

79. In addition, Sameer Africa revealed through its 2020 annual report that it declared 107 positions redundant, translating to over Kshs. 245 million in staff cost savings in a bid to cover losses. In August 2022, Sameer Africa issued a profit warning for the year ending 31 December 2022, citing global disruption in its supply chain, which then impacted the availability of key products for its tyre business.

80. In the circumstances, the accuracy and fair valuation of and fair quoted investment of Kshs. 221,601,474 in three (3) companies could not be confirmed.

Management response

81. The management informed the Committee that the valuation of Kshs 221,601,474 was based on the share value as at 30th June 2022.

a) Athi River Mining

82. Fund Managers attempted to divest from Athi River Mining before it was delisted, and a provision has been made in the 2023/2024 financial statements

b) Sameer

83. The Fund held an investment in Sameer valued at Kshs. 2.8 million as at 30th June, 2024. Over the last three years, Sameer Group has restructured its operations to shut down tyre manufacturing and concentrate on property letting. In FY 2024, Gross profit grew by 4.8% to Kshs. 373 Million while Net profit increases by over 100% from Kshs. 42.2 Million to Kshs. 262.9 million.

84. The Fund has asked the Fund Managers to closely monitor the performance of the company with a view to profitable divesting from the investment.

c) East African Portland

85. The East African Portland share currently has been on the rise from a low of 7.82 per share on 31/8/2024 to Kshs. 40.25 per share in 31/3/2025.

86. The Company's performance currently has been rising with its declaration of the first dividend of Kshs. 1 per share in 13 years on 28th April, 2024. The Fund received Kshs. 24,300,000

Committee observations

The Committee observed that –

i. Despite the Fund delegating investment authority to six Fund Managers, there appears to be inadequate oversight, monitoring, and evaluation mechanisms to ensure that Fund managers comply with the investment policy.

ii. The Fund continues to hold investments with no return by way of dividends or capital appreciation and therefore the value for money on the investment worthy Kshs. 221,601,474 had not been achieved. The market value of these investments has been eroded by the inflationary effects, delisting of the company in the capital markets without any corresponding gain in terms of interest or capital gains.

iii. The Committee further noted that management holding non-performing investments contradicted the principles of sound financial management and prudent use of public resources as outlined in Article 201 (d) of the Constitution.

iv. Although the Fund had indicated that management (NSSF) had asked the Fund Managers to closely monitor the performance of the company with a view to profitable divesting from the investment, no monitoring report was provided to the Committee to confirm the status.

Committee Recommendations

The Committee recommends that –

i. Within three months upon adoption of this report, the Accounting Officer and the Board of the Fund should review its investment policy to align to the principles of sound financial management and prudent use of public resources as outlined in Article 201 (d) of the Constitution and the NSSF Act. A copy of the approved investment policy should be submitted to the National Assembly and the Auditor-General within this period for review.
ii. Within three months upon adoption of this report, the Accounting Officer should submit to the National Assembly and the Auditor-General the monitoring report indicating the conclusions and recommendations made by the Fund managers.
iii. Within three months upon adoption of this report, the Board and the Accounting Officer should initiate the recoupment of the Fund of Kshs. 408,752,504 invested with no returns and submit a report within the same period to National Assembly of the status and evidence of recoupment or steps taken.
iv. Within three months upon adoption of this report, the National Assembly should amend the PFM Act , CAP 412A and the attendant Regulations to create a provision that any officer who invests recklessly to the effect that the investment results into loss of public funds, to be held personally liable for the loss in Capital invested and the interest that would have been deemed to accrue at the CBK prevailing rates.

5.0 Non-Performing Investment in Hazina Plaza - Polana Mombasa Building

87. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 29 to the financial statements reflects an investment property balance of Kshs. 35,414,340,317, which includes an amount of Kshs. 425,000,000 in respect to Hazina Plaza-Polana Mombasa building. Review of the valuation report for June, 2022 revealed that the property was purchased at a cost on Kshs. 450,000,000 in the year 1994 and its value appreciated to Kshs. 530,000,000 as at 30 June, 2021. However, the value reduced to Kshs. 425,000,000 during the year under review resulting to an impairment loss of Kshs. 105,000,000.
88. Further, physical inspection in February, 2023 revealed that the building was vacant and in a dilapidated state. The lessees and tenants, who were evicted on 18 March, 2019 for default in

rent, had extensively vandalized the property claiming that they had installed most of the items prior to their occupation.

89. In the circumstances, the accuracy and fair valuation of investment in Hazina Plaza - Polana Mombasa Building valued at Kshs. 425,000,000 could not be confirmed.

Management response

90. The Fund carries open market valuation of all its investment properties at the end of every year for the purposes of financial reporting. The subject property was valued at Ksh. 425,000,000.00, comprising the value of land and the value of the improvement (building) during the year under review. The value is believed to be authentic and accurate since the valuation was conducted by a registered private valuer.

91. To unlock value out of this property for the benefit of the members, Management has commenced refurbishment of the property, which is expected to be finalised in the 2025/2026 financial year, after which the property will start generating investment returns.

Committee observations

The Committee observed that;

i. The matter had been discussed in the previous PIC 22nd and 23rd reports;
ii. The Fund did not involve the State Department of Public Works when contracting M/s Techno Holdings Ltd to renovate the building. The scope of renovations was not documented and agreed upon anywhere, thus opening a loophole for the tenant to arm-twist the Fund on the cost of renovations.
iii. NSSF won the court case relating to the ownership of Hazina Plaza – Polana Mombasa Building;
iv. The property was purchased by the Board of Trustees in 1992 at Kshs. 450,000,000 and had a net book value of Kshs. 530,000,000 as at 30th June 2020;
v. The building was advertised for sale on 3rd September, 2009, at Kshs. 300 million reserved price, but the bids received were below the reserve price. It was not clear why the reserve price was placed too low, yet the land on which the hotel is situated had appreciated in value over time. The basis upon which the reserve price was determined

was not provided to the Committee for review, and the devaluation of the property was skewed to favor a certain bidder.

vi. The valuation report from the Ministry of Lands, Public Works, Housing and Urban Development as at the time of advertisement was not provided for audit.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer (NSSF) should prepare and submit valuation report of Hazina Plaza - Polana Mombasa Building to the National Assembly and the Auditor-General for review and reporting in the subsequent audit cycle.

1.0 Misstatement of assets under construction

92. The Committee heard that the statement of net assets available for benefits reflects assets under construction, with a balance of Kshs. 154,985,746 as disclosed in Note 30 to the financial statements. The balance is net off an amount of Kshs. 105,158,476 reported under the Tassia Scheme, which relates to costs incurred by the Fund in undertaking feasibility studies on the Tassia Infrastructure Project. The Project was terminated by the Board, and therefore, the costs have been impaired. However, no adjustments have been made by way of write-offs to recognise the impairment.

93. In the circumstances, the accuracy and completeness of the asset under construction balance of Kshs. 154,985,746 could not be confirmed.

Management response.

The management informed the Committee that the financial statements have been amended to include an impairment to the Tassia Infrastructure Project cost.

Committee observation

The Committee observed that –

i. Although, the current audit issue entails the impairment of the project and no adjustments had been made by way of write-offs to recognize the impairment, the

Public Investment Committee in its 24th Report had deliberated on the issue in respect of delay in processing ownership documents for persons who had acquired interest in the project..

ii. The project did not take off as planned.

Committee Recommendations.

The Committee recommends that;

i. The Committee reiterates the recommendations made in the PIC 24th Report that the Managing Trustee for NSSF should ensure that all the land related issues have been resolved by isolating those with problems and having them addressed.

ii. The Committee on Implementation should follow up on the implementation of past PICs recommendations.

7. 0 Unconfirmed Tax Receivables

94. The Committee heard that the statement of net assets available for benefits reflects receivables and prepayments balance of Kshs. 7,465,104,760 as disclosed in Note 23 to the financial statements. The balance includes the tax receivables amount of Kshs.935,901,481 relating to tax refund comprising overpaid tax of Kshs 493,257,328 and Kshs 411,646,389 totalling Kshs. 904,903,717 inadvertently paid to the Kenya Revenue Authority (KRA) in 1997 after the Fund became income tax exempt in 1996. The tax refund due from the Kenya Revenue Authority was not supported by an acknowledgement from the Kenya Revenue Authority. Further, the balance includes an amount of Kshs. 24,502,894 relating to tax on interest earned from bank balances and low interest tax of Kshs 6,494,870 credit, which has not been explained.

95. In the circumstances, the accuracy and fair statement of the tax receivables balance of Kshs. 935,901,481 could not be confirmed.

Management response

96. The management informed the Committee that the Fund has a long-standing tax receivable amounting to KES 904,903,717, which remains due from the Kenya Revenue Authority (KRA) as an unresolved refund. This outstanding amount has been the subject of an audit

query from prior financial years, in which the Public Investments Committee (PIC) recommended that KRA settle the refund within six months. Furthermore, a High Court ruling issued in 2016 affirmed the validity of this refund claim.

Committee observation

The Committee observed that –

The matter on Tax receivables was addressed in the PIC 19th and 24th Reports, where the Committee recommended that the Kenya Revenue Authority should refund NSSF the overpaid tax of Kshs. 904,903,717. However, the tax refund due was not supported by an acknowledgement from the Kenya Revenue Authority, and therefore, the refund is still outstanding.

Committee Recommendation

The Committee recommends that –

Within three months upon adoption of this report, the Commissioner General, Kenya Revenue Authority, should prepare and submit to the National Assembly a status report pertaining to the tax refund amounting to Kshs. 904,903,717.

Other Matter

1.0 Budgetary Control and Performance

97. The Committee heard that the statement of comparison of budget and actual amounts had an approved final income budget of Kshs. 40,917,524,668 against actual receipts of Kshs.8,702,000,710 resulting in an under-receipt of Kshs. 32,215,523,958 or 79% of the approved budget. Similarly, out of the approved final expenditure budget of Kshs. 7,498,213,976, the Fund realized an actual expenditure of Kshs.7,466,114,440 leading to an under-expenditure of Kshs.32,099,536 approved budget.

98. The under-utilisation of approved budget and under-receipt of revenue may have negatively affected service delivery.

Management response

Revenue

99. The management informed the Committee that the performance under review for the Fund, like all other entities, was generally affected by the COVID pandemic, as economic recovery only came into realisation post 2022.

100. The underperformance in total income is mainly on account of contributions, realised losses, and Fair value losses on investments. The Contributions underperformed the budget due to the delayed implementation of the NSSF Act, which had factored in higher contribution rates. The underperformance of investment income was on account of the poor performance of investments in government bonds and quoted equities, resulting in realised losses.

Expenditure

101. The Fund budgeted to spend a total of Kshs. 7,498,213,976 in the same period, and actual expenditure was Kshs. 7,466,114,440, or 0.43% below target.

Committee observation

The Committee observed that –

i. The under-performance of 79% in income against the approved budget indicated unrealistic or over-optimistic revenue projections. The Fund based its projections of revenue and expenditure on weak assumptions and hence substantially missed the budgetary targets.

ii. The under-expenditure on some budget items affected the planned activities and negatively impacted the service delivery to the public/beneficiaries.

Committee Recommendations

The Committee recommends that –

The Committee recommends that the Accounting Officer should ensure at all times that the budgets are realistic, achievable, and always adhere to annual work plans, procurement plans, and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

2.0 Unresolved Prior Year Matters

102. The Committee was informed that in the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved and disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board (PASSB) reporting templates. Management has not provided a satisfactory explanation for the delay in resolving the issues.

Management response

103. The management informed the Committee that the Fund is in the process of addressing the issues raised in previous audits. Resolved and outstanding issues have been disclosed in the revised financial statements in accordance with the Public Sector Accounting Standards.

Committee observation

The Committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements, as required by the Public Sector Accounting Standards Board reporting template.

Committee Recommendations

The committee reprimands the then Accounting Officer for breach of section 81(3) of the PFM Act CAP 412A, which provides that the Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

1.0 Non-Compliance with the National Social Security Fund Act, 2013

104. The Committee heard that the statement of net assets available for benefits reflects investment management expenses of Kshs. 615,789,515 and operating costs of Kshs. 6,850,324,926 all totalling to Kshs. 7,466,114,441 or 2.6% of the Fund's net assets of Kshs. 285,722,864,940 as at 30 June 2022.

105. The Fund's total Expenses exceeded the allowable limit of Kshs. 5,714,457,299 (2% of Fund assets) by an amount of Kshs. 1,751,657,142 or 0.6%. This was contrary to section 50(1) of

the National Social Security Fund Act, 2013, which stipulates that the total expenses for the administration of the Fund should not exceed two per cent of the Fund's assets.

106. In the circumstances, the Fund was in breach of the law.

Management response

107. The management informed the Committee that the cost ratio was premised on the fact that new rates under NSSF Act No. 45 of 2013 were to take effect in 2014 and grow the revenue, thereby growing the Fund's net assets. Immediately after 2014, some sections were taken to court, stopping implementation.

108. The law required the Fund administration expenses to be at below 2% of the Fund value at the end of 1st year of implementation and then progressively go down to 1.5% at the end of the 5th year. New rates came into effect in February 2023, and the Fund projects that by FY 2023/24, which is the 1st year of implementation, the Fund will have achieved the target of 2%.

Committee observation

The Committee observed that the issue on Non-Compliance with the National Social Security Fund Act, 2013 was deliberated in its Report for the financial year ending 30th June, 2021 and upholds the observations and recommendations therein as follows;

Committee observation

a. The NSSF Act 2013 that commenced in 2014 or any court ruling does not provide for suspension of the rate of expenditure of (1.5%) the Fund's net assets in the sixth year following the commencement date.

b. The accounting officer's statement that there were new rates that came to effect in February 2023 and the Fund projected that by FY 2023/2204 which was the 1st year of implementation, it will have achieved her target of 2% was an invalid explanation for breach of the law in the year 2021/2022 as the new rates were not applicable then.

c. NSSF exceeded the allowed rate of expenditure of 1.5% by Kshs, 2,831,002,450 in the year of audit 2021/2022.

Committee Recommendations

The committee recommended that –

The Committee reprimands the then Accounting Officer for breach of Section 50 of the National Social Security Fund Act, 2013 which stipulates those expenses paid out of the Fund shall not exceed two per cent (2%) of the total Fund assets in the first year from the commencement date and thereafter be reduced and capped at one and a half percent (1.5%) in the sixth year following the commencement date.

2.0 Acting positions beyond the allowable period

109. The Committee heard that the statement of changes in net assets available for benefits reflects an expenditure of Kshs. 3,839,298,069 relating to staff cost and as disclosed in Note 13 to the financial statements. Included in the expenditure is an acting allowance of Kshs. 10,733,021 incurred on Officers in various acting positions within the Fund. However, it was noted that some of the staff, including Senior Management, holding the acting appointments, had served for more than one year. This is contrary to the provisions of Section 34(3) of the Public Service Commission Act, 2017, which states that an Officer may be appointed in an acting capacity for a period of at least thirty (30) days but not exceeding a period of six months.

110. In the circumstances, the Management was in breach of the law.

Management response

111. The management informed the Committee that the Fund acknowledges the concern regarding acting appointments beyond the stipulated timeframe under Section 34(3) of the Public Service Commission Act, 2017. The Fund previously undertook recruitment efforts in 2014 and 2021 to fill the affected positions. However, both processes were halted due to court injunctions, preventing the finalization of appointments. In compliance with the court directive, the Fund submitted all Human Resource Instruments to the Public Service Commission (PSC), which approved them in September 2022.

112. Following this approval, the Board initiated the recruitment process, successfully hiring a substantive Managing Trustee/CEO, all General Managers, Managers and staff at entry levels, and is at an advanced stage in internal upward promotions to fully regularize staffing.

Committee observation

The Committee observed that –

The then Accounting Officer was in breach of section 34 (3) of the Public Service Commission Act, CAP 185, which requires that an officer may be appointed in an acting capacity for a period not exceeding six months.

Committee Recommendations

The Committee recommended that –

i) The committee reprimands the then Accounting Officers for breach of section 34 (3) of the Public Service Commission Act, CAP 185.
ii) Within three months upon adoption of this report, the Inspector General of State Corporations to surcharge and recover from the then Accounting Officer (s) and Board members, the monies paid as acting allowances beyond the stipulated period of six months.

3.0 Non-compliance with the Unclaimed Financial Assets Act, 2011

113. The Committee heard that the statement of net assets available for benefits reflects payables and accruals balance of Kshs 3,592,512,207 and as disclosed in Note 32 to the financial statements. The balance includes returned benefits totaling Kshs. 166,826,982 representing unclaimed member benefits that have been outstanding for a long period of time, which ought to have been reported and submitted to the Unclaimed Financial Assets Authority.

114. This was contrary Section 20(2) of the Unclaimed Financial Assets Act, 2011 that requires a person holding assets presumed abandoned and subject to the custody of the Authority as unclaimed assets under this Act should make a report and at the time of filling the report pay or deliver to, or hold to the order of the Authority all abandoned assets. In the circumstances, the Fund was in breach of the law.

Management response.

115. The amount of KES 166,826,982 relates to payments made to claimants before 2012, which bounced back due to various reasons. Over time, beneficiaries have continued to claim and receive their rightful benefits, progressively reducing the outstanding balance.

116. The Fund holds these amounts in trust, governed under the NSSF Act Cap 258, which does not allow the transfer of member funds to another entity.

Committee observation

The Committee observed that –

The Fund failed to report and remit unclaimed member benefits amounting to Kshs. 166,826,982 to the Unclaimed Financial Assets Authority (UFAA) contrary to Section 20 of the Unclaimed Financial Assets Act, CAP 494.

Committee Recommendations

The Committee recommended that –

i. The Accounting Officer should at all times comply with the provisions of Section 20 of the Unclaimed Financial Assets Act, 2011.

ii. Within three months upon adoption of this report, the Accounting Officer should submit to the National Assembly and the Auditor-General a report on the current status of unclaimed member benefits that have been outstanding for a long period but have not been submitted to the Unclaimed Financial Assets Authority.

iii. Within three months upon adoption of this report, the Accounting Officer should take appropriate measures to match the contributions to the respective members after employers remittances.

iv. Within three months upon adoption of this report, the National Assembly should amend the Unclaimed Financial Assets Act, CAP 494 and the NSSF Act, Cap. 258 to exempt the Fund from remmitance but require that the Funds be invested separately and returns be allocated evenly to the respective members upon identification.

3.0 Irregular Board Allowances

117. The Committee was informed that the statement of changes in net assets available for benefits and Note 14 to the financial statements reflect general administrative costs of Kshs

2,639,450,386, which includes trustee emoluments of Kshs. 29,241,145. However, a review of supporting documents revealed that the Board of Trustees were being paid Kshs. 50,000 as sitting allowance and Kshs. 50,000 per month as Director retainer fees, which was recommended on 1 November 2011 by the then Minister for Labour. However, there was no approval of the State Corporation Advisory Committee (SCAC), Public Service Commission (PSC), the National Treasury, and the Salaries and Remuneration Commission

118. In the circumstances, the regularity of the board expenses of Kshs. 29,241,145 could not be confirmed.

Management responses

119. The management informed the Committee that section 13(2) of the NSSF Act No. 45 of 2013 provides that remuneration and allowances payable to the Board or any Committee of the Board shall be subject to the approval of the Cabinet Secretary.

120. The Ministry of Labour vide their letter Ref. No. MLHRD/20A dated 5th December, 2012, approved the Board's sitting allowances to Kshs. 50,000 Trustees' fees, excluding the Chairman, at Kshs. 50,000 effective 1st November, 2011.

121. Before this, SCAC vide their letter Ref No. OP. SCAC.9/161 dated 30th November 2012 notified the Fund of the determination of Chairman and Board allowances.

Committee observation

The Committee observed that –

The Accounting Officer irregularly paid the Board of Trustees' emoluments amounting to Kshs. 29,241,145 without approval from the Salaries and Remuneration Commission as required by law.

Committee Recommendations

The Committee recommended that –

Within three months upon adoption of this report, the Inspector General of State Corporations to surcharge and recover from the then Accounting Officer and Board of Directors, monies paid as trustee emoluments amounting to Kshs. 29,241,145 without the approval from the Salaries and Remuneration Commission.

1.0 Understaffing

122. The Committee heard that review of human resources documents revealed that, the Fund has a total of one thousand one hundred and forty-five (1,145) employees in post, which was below the approved staff establishment of one thousand four hundred and forty-five (1,445) posts, leading to a shortage of three hundred (300) staff members. Further, it was noted that fifty-eight (58) positions did not have permanent employees, including some in critical business functions.

123. In the circumstances, the effectiveness of internal controls and risk management, and governance could not be confirmed.

Management responses

124. The management informed the Committee that the Fund acknowledges the previous staffing shortages due to court injunctions in 2014 and 2021, which halted recruitment efforts. To address this, the Board conducted an organizational review to determine optimal staffing requirements. Subsequently, the Public Service Commission (PSC) approved the establishment of 1,405 positions via a letter dated 23rd September, 2022.

125. Following this approval, the Fund has successfully filled vacant positions, including Senior management roles (MT/CEO and all General Managers), Managers, and entry-level staff for critical business function positions, ensuring strengthened internal controls and risk management

Committee observation

The Committee observed that –
The shortfall of 300 staff members and vacancies in critical business function positions may have compromised the Fund's capacity to efficiently deliver services, enforce internal controls, and uphold its governance structures. This exposed the Fund to operational risk, regulatory non-compliance, and reputational harm.

Committee Recommendations
The Committee recommended that –

The Accounting Officer should at all times adhere to the Public Service Commission Human Resource Policies and Procedures Manual on staffing and ensure filling of vacancies promptly as per the approved staff establishment structure to effectively deliver services to the public.

2.0 Delays in Processing of Members' Benefits

126. The Committee heard that a review of the benefits processing system revealed that 18,025 benefit claims were pending as at the close of the financial year, with 7,113 (40%) of the delays arising from a few fingerprint technicians who match fingerprints to authenticate the claims. Further, 12,511 claims were rejected and referred back to the branches as a result of errors and omissions in the beneficiary's personal information and ineligible bank account details. In addition, pensioners and dependents could not access their money in time to cater for their basic and other needs due to the delay in claims processing.

127. In the circumstances, the effectiveness of the internal control system in processing members' benefits could not be confirmed.

Management response

128. The Fund paid a total of Kshs.15.8 billion in the 3 years affected by the COVID-19 pandemic period. i.e., Kshs. 4,433,548,756 in 2019/2020, Kshs. 5,896,203,691 in 2019/2020 and Kshs. 5,430,388,800 in 2021/2022

129. Despite the good effort to support our members during the hard times, the Fund was left with a huge backlog carried forward from the times of Covid-19, especially strict containment measures put in place, which negatively affected service delivery. This is coupled with other challenges such as a shortage of staff in the benefit processing chain the manual identification of members/claimants, and the long steps involved in the processing of benefits.

130. The Fund is currently undertaking a benefit payment process improvement geared towards improving the turnaround time. The turnaround time has since been reduced to less than 10 days from the average of 54 days in the recent past and the Fund expects to improve the turnaround times further in the coming years.

Committee observation

The Committee observed that;

i. The issue of delays in processing members' benefits was deliberated in the PIC 24th Report, and it was observed that Management's interventions had yielded commendable results. However, reconciliation of the returned benefits was ongoing, but due to outdated data on beneficiaries, it was hard to locate beneficiaries. The committee then recommended that the Accounting Officer for the NSSF should ensure data of its beneficiaries is always updated to ensure easier location and identification of beneficiaries.

ii. Further, the committee observed that the management did not adequately state how the following issues raised in the audit queries were addressed;

   a. The delays arising from a shortage of fingerprint technicians who match fingerprints to authenticate the claims.

   b. Rejected and referrals of beneficiaries to the branches as a result of errors and omissions in the beneficiary's personal information and ineligible bank account details. This could have been addressed through proper automation of beneficiaries early enough before retirement.

   c. The pensioners and dependents were not able to access their money in time to cater for their basic and other needs due to the delay in claims processing.

Committee Recommendations

The Committee recommended that –

Within three months upon adoption of this report, the Accounting Officer-NSSF should prepare and submit a report to the National Assembly on the status of delayed benefits and un-accounted for benefits (in Transit). The report should also include measures taken to address the delays arising from shortage of fingerprint technicians, automation of registration of beneficiaries to minimize rejections and referrals of beneficiaries to the branches as a result of errors and omissions in the beneficiary's personal information and ineligible bank account details.

3.0 Unremitted Member Contributions

131. The Committee heard that, review of the remittances of members' contributions revealed that contributions receivable estimated at Kshs. 8,635,342,199 had been included in the financial statements under contingent assets. This comprised mandatory contributions of Kshs.1, 959,029,448 and outstanding penalties of Kshs.6, 676,312,751. Although Management has indicated that recovery efforts through alternative dispute resolution, court action, and the Intergovernmental Relations Technical Committee for cases involving County Governments are in progress, the process was not successful.

132. In the circumstances, the effectiveness of the internal control systems with regard to debt recovery and management could not be confirmed.

Management response

133. The management informed the Committee that the Fund, through its Registration & Compliance Department, has implemented a Relationship Management Model strategy which entails engaging leadership at the Departmental, Regional, and Branch/Sub-branch level and Debt Collection Officers to enhance recovery of contribution debts from profiled defaulting

134. The model also incorporates Debt Collection officers at the branch to follow up on the remaining branch/sub-branch contribution debts. Provision has also been made in the same model for a Debt Management Unit based at the head office to coordinate recovery efforts from all branch offices

Committee observation

The Committee observed that –

The matter of unremitted member contributions was addressed in the PIC 22nd Report, where the Committee recommended that the Fund should put in place robust collection strategies, including legal mechanisms to avoid under-collection and resultant losses.

Further, the Committee observed that;

i. The then Accounting Officer failed to strictly enforce the requirements of section 27 of the National Social Security Fund Act, 2013, which stipulates the penalty for default in payment of members' contributions by employers.

ii. The withholding of member statutory deductions is illegal since the amount is utilized to finance the respective entity's operations at the expense of the contributor.

Committee Recommendations

The Committee recommended that;

i. The Committee reprimands the then Accounting Officer for failing to strictly enforce the requirements of section 27 of the National Social Security Fund Act, CAP 258.
ii. The Committee on Implementation should follow up on the implementation of past PICs recommendations.
iii. Within three months upon adoption of this report, the Accounting Officer of the National Social Security Fund to establish a Debt Recovery Policy to help in fast-tracking the recovery of the contributions receivable and the outstanding penalties amounting to Kshs. 8,635,342,199 and Kshs. 6, 676,312,751 respectively.
iv. Within three months upon adoption of this report, the Accounting Officer should prepare a report on Unremitted Member Contributions and submit it to the National Assembly, the National Treasury, and the Attorney General for review and action. The Accounting Officer (NSSF), in collaboration with the National Treasury and the Attorney General, should come up with modalities of enforcing remittance, including financial sanctions for government entities or holding the directors of non-compliant private companies personally liable for the principal sums, penalties, and interest at the CBK rates for unremitted contributions.

4.0 Contributions in Suspense Account

135. The Committee heard that, review of members' contributions revealed that, the Fund maintains employer contribution clearing accounts where total contributions are posted from employers for the credit of members' accounts for benefits payment upon qualification as per the National Social Security Act, 2013. However, contributions in transit representing contributions which had not been posted to individual members' accounts stood at Kshs. 741,518,106. These arise from lack of integration between employers bank accounts and the

Fund's collection system, leading to lack of prompt updating of members accounts with their deposits.

136. No sufficient explanation was provided for the inability to reconcile and post the suspense balance of Kshs. 741,518,106 to the respective member's accounts which had accumulated over the years.

137. In the circumstances, the effectiveness of the internal controls system on prompt updating of members contributions could not be confirmed.

Management response

138. The management informed the Committee that the contribution in transit is a challenge experienced by the Fund occasioned by the failure of employers, including the National Government, the County Government, and TSC to submit complete returns for all their registered and contributions paid for employees.

139. The amount of contributions in transit as at 30th June 2022 stood at Kshs. 741,518,105.51. This represented 0.39% of the cumulative mandatory contributions collected. Continuous efforts in branch offices are in place to reduce and manage contributions in transit.

140. The following are the key strategies Management has put in place to halt and reduce the growth of the Contributions in

i. Automated the Member registration process, where Members are able to register via their mobile phones and check their provisional contributions statements.

ii. Reduction of the Contributions in Transit by 30% by 30th June 2023 is a key performance indicator for the financial year 2022/2023 in the performance contracts.

iii. Enhance usage of the e-service and mobile application (M-Pesa) in the processing and management of member returns and contributions to reduce data errors and enhance efficiency in contributions processing and returns management.

Committee Observations

The Committee observed that –

The matter on Contributions in Suspense Account was addressed in the PIC 19th and 22nd Reports, where the Committee recommended the following;

i. The Fund institutes measures to ensure all contributions received from members have the requisite data.
ii. The Fund identifies the contributors and clears the suspense account

Further, the Committee observed that;

iii. The management has put on strategies by automating the member registration process, which enables members to register via their mobile phones and check their provisional contributions statements. However, not all members are acquainted with the knowledge and the technical capacity for the service, and internet connectivity may be a challenge for uncovered areas.
iv. The figures on members' contributions in the suspense account have been reducing over the years. However, there was no evidence to link the reductions to efficiency in identifying members or were mere book entries.

Committee Recommendation

The Committee recommends that;

i. Within six months upon adoption of this report, the Accounting Officer, National Social Security Fund to liaise with employers to identify the contributors/beneficiaries in order to bring the matter to its logical conclusion.
ii. The Committee on Implementation should follow up on the implementation of past PICs recommendations.
iii. Within three months upon adoption of this report, the Accounting Officer should prepare a report on Contributions in Suspense Account and submit it to the National Assembly and Auditor-General for review. The report should include the modalities for ensuring contributions made are matched to the contributor and employer for all government entities or private companies, and the ledger showing the flow of the balances from the financial years 2015/2016 to the current balance. The Auditor-General should review the report and the flow of the balances and report in the subsequent audit cycle.

FINANCIAL YEAR 2022/2023

1.0 Non-Performing Investment in Unquoted Equities

141. The Committee heard that the statement of net assets available for benefits reflects the unquoted stocks balance of Kshs. 787,911,498 as disclosed in Note 27 to the financial statements. Review of documents revealed that the Fund held shares worth Kshs. 38,428,500 in Consolidated Bank of Kenya, whose performance declined by Kshs. 209,256,764 as detailed below:

Company	No. of shares	Value as at 30 June,2023 (Kshs.)	Value as at 30 June,2022 (Kshs.)	Decline in value (Kshs.)
Consolidated Bank Ord Shares	2,225,000	8,321,500	86,694,264	(78,372,764)
Consolidated 4% cumulative preference shares	8,050,000	30,107,000	161,000,000	(130,893,000)
Total	**10,275,000**	**38,428,500**	**247,694,264**	**(209,265,764)**

142. The fund continues to hold investments with no return by way of dividend or capital appreciation.

143. In the circumstances, the value for money and fair valuation of the unquoted stocks could not be confirmed.

Management response

144. The management informed the Committee that NSSF continues to monitor the bank's performance with a strategic intent to divest. Consolidated Bank has presented a turnaround strategy to shareholders, emphasising recapitalisation as a pathway to profitability. The bank has confirmed that discussions will be held with shareholders, and NSSF, alongside its appointed Fund Managers, is actively evaluating optimal exit strategies.

145. Additionally, Consolidated Bank has undergone a valuation, with a fair price assessment of Kshs 3.74 per share, forming part of ongoing deliberations concerning NSSF's investment outlook.

146. Further, the National Treasury, which is the majority shareholder, recently indicated intentions to privatise the bank through listing or selling the bank to a strategic investor. The Board of Trustees is keenly following up on the development with the intention of exiting at the earliest opportunity.

Committee Observations and Recommendations

The Committee observed that the issue of Non-Performing Investment in Unquoted Equities was deliberated in its Report for the financial year ending 30th June, 2022, and upholds the observations and recommendations therein.

2.0 Investment in Non-Performing Quoted Shares

147. The Committee heard that the statement of net assets available for benefits reflects quoted stocks of Kshs. 52,986,064,443 as disclosed in Note 28 to the financial statements. The balance includes shares held in three (3) companies valued at Kshs. 170,708,881 as at 30 June 2023, whose value decreased by Kshs. 50,892,593 or (23%) from Kshs. 221,601,474 as at 30 June 2022, as follows:

Company	Number of Shares	Shar Price as at 30 June 2023 (Kshs.)	Share Price as at 30 June, 2022 (Kshs.)	Decline in Price Per Share (Kshs.)	Decline Value (Kshs.)
East Africa Portland Cement	24,300,000	6.04	8.00	(1.96)	(47,628,000)
Sameer Africa	2,838,776	2.65	3.80	(1.15)	(3,264,592)
Athi River Mining	2,957 500	5.55	5.55	-	-
Total					**(50,892,592)**

148. As reported previously, review of the status of investment in quoted stocks confirmed that the Fund entered into a contractual agreement with six (6) Fund Managers. The Fund Managers were to have full control and unrestricted powers to invest the Fund's money as per the investment policy for maximum returns. However, the Fund has continued holding on to the non-performing investments in the three (3) companies.

149. In the circumstances, the accuracy and fair valuation of the quoted investment of Kshs. 170,708,881 in three (3) companies could not be confirmed.

Management response

East African Portland PLC (EAPC)

150. The management informed the Committee that the Fund acknowledges the audit observation. This is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year audit report.

151. East African Portland share Price has been on the rise from a low of 7.82 per share on 31.08.2024 to Kshs. 40.25 per share on 31.03.2025. The Company's performance currently has been promising, and it is making profits

152. East Africa Portland declared its first dividend of Kshs. 1 per share in 13 years on 28th April, 2024, where NSSF earned Kshs. 24,300,000.

153. ARM Mining Ltd went into liquidation, and the liquidators advised that the chance for ordinary shareholders to be paid is remote. Management will consider making full provision in the 2023/2024.

Sameer Africa Limited

154. The Fund held an investment in Sameer valued at Kshs. 2.8 million as at 30th June, 2024. Over the last 3 years, Sameer Group has restructured its operations to shut down tyre manufacturing and concentrate on Property letting. In FY 2024, Gross Profit grew by 4.8% to Kes 373 million while Net Profit increased by over 100% from Kshs. 42.4 million to Kshs. 22.9 million.

155. The Fund has asked the Fund Managers to closely monitor the performance of the company with a view to profitable divesting from the investment

Committee Observations and Recommendations

The Committee observed that the issue on Investment in Non-Performing Quoted Shares was deliberated in its Report for the financial year ending 30th June, 2022 and upholds the observations and recommendations therein.

3.0 Long Outstanding Tax Receivables

156. The Committee heard that the statement of net assets available for benefits reflects receivables and prepayments balance of Kshs. 6,580,672,946, which as disclosed in Note 23 to the financial statements which includes tax receivables amount of Kshs.938,003,638 relating to tax refund comprising of overpaid tax of Kshs. 493,257,328 and Kshs. 411,646,389 totaling to Kshs. 904,903,717 inadvertently paid to the Kenya Revenue Authority (KRA) in 1997 after the Fund became income tax exempt in 1996. However, the tax refund due from KRA was not supported by an acknowledgement from the Authority. Further, the tax receivables balance of Kshs.938,003,638 includes an amount of Kshs.26,605,051 relating to tax on interest earned from bank balances and low-interest tax of Kshs.6,494,870 credit, which has not been explained.
157. In the circumstances, the recoverability of the tax receivables balance of Kshs. 904,903,717 could not be confirmed.

Management response

158. The management informed the Committee that, the Fund has a long-standing tax receivable amounting to Kshs. 904,903,717, which remains due from the Kenya Revenue Authority (KRA) as an unresolved refund. This outstanding amount has been the subject of an audit query from prior financial years, in which the Public Investments Committee (PIC) recommended that KRA settle the refund within six months. Despite these directives, the refund remains unsettled.
159. Kenya Revenue Authority, together with the Fund, is currently carrying out reconciliation on items (credits) appearing on ITAX, which include withholding tax on interest earned on Kshs 26,605,051, with a view to establishing the correct position.

Committee Observations and Recommendations

The Committee observed that the issue on Long Outstanding Tax Receivables was deliberated in its Report for the financial year ending 30th June, 2022 and upholds the observations and recommendations therein.

4.0 Unremitted and Undisclosed Member Contributions

160. The Committee heard that the statement of changes in net assets available for benefits reflects the contributions receivable balance of Kshs. 26,873,595,651 as disclosed in Note 6 to the financial statements. Review of members' contributions status revealed that an amount of Kshs. 9,545,509,225 in respect of long outstanding contributions receivable, which comprised mandatory contributions of Kshs. 1,933,630,444 and outstanding penalties of Kshs. 7,611,878,781 had not been included in the statements of net assets available for benefits as at 30 June 2023.

161. In the circumstances, the accuracy and completeness of the contributions receivable balance of Kshs. 26,873,595,651 could not be confirmed.

Management response

162. The Fund received Kshs. 26,873,595,651 in actual contributions during the year under review, as disclosed in Note 6. In line with Fund policy, only received contributions are included in the Statements of Net Assets Available for Benefits, as they serve as the basis for interest distribution.

163. Contribution yet to be received is excluded from net assets, as they do not form part of the amounts available for distribution. However, for transparency, such contributions are disclosed separately in the notes, specifically under Note 36. As at 30th June 2023, outstanding contribution debts stood at KES 9,545,509,225, consisting of contribution arrears and penalties.

164. The Fund remains committed to proactively recovering outstanding contributions through structured legal, administrative, and intergovernmental processes. Ongoing collaboration with key stakeholders, enforcement mechanisms, and policy adjustments will further strengthen compliance and financial sustainability.

Committee Observations and Recommendations

The Committee observed that the issue on Unremitted and Undisclosed Member Contributions was deliberated in its Report for the financial year ending 30th June, 2022 and upholds the observations and recommendations therein.

Budgetary Control and Performance

165. The Committee heard that the statement of comparison of budget and actual amounts reflects the final income budget and actual amounts on a comparable basis of Kshs. 40,683,613,228 and Kshs. 33,727,938,396, respectively, resulting in an under-collection of Kshs. 6,955,674,832 or 17% of the approved budget. Similarly, the Fund incurred Kshs. 7,328,971,740 against an approved final expenditure budget of Kshs.7,001,625,222, resulting in an over-utilisation of Kshs. 327,346,518 or 5% of the budget.

166. The under-collection and over-utilisation affected the planned activities of the Fund and may have negatively affected service delivery to the public.

Management response

Revenue/income item	Actual	Budget	Var
Contribution	26,873,595,651	19,568,043,228	37%
Dividend income	4,351,638,109	2,500,000,000	74%
Interest income	25,087,013,240	21,785,000,000	15%
Rent income	1,171,281,393	1,487,186,000	(21%)
TPS interest income	292,295,254	350,000,000	(16%)
Realized gain on investments	457,177,114	150,000,000	205%
Other Investment Income	65,926,054	50,000,000	32%
Other income	540,655,817	79,500,000	580%
Benefits	(6,675,201,681)	(8,143,450,000)	28%
FV Loss	(18,436,442,556)	2,857,334,000	(745%)
Net revenue	**33,727,938,397**	**40,683,613,228**	**(17%)**

167. The Fund outperformed the budget in contributions received, dividend income, interest income and other income. The contributions exceeded the budget on account of year 1 NSSF contributions, which came into effect in February 2023. The overperformance in dividend income and interest income was on account of equity market recovery and improved fixed income yields during the year under review.

168. The overall underperformance of total income was mainly on account of Fair value losses on investments in government bonds due to the rise in interest rates, which resulted in lower valuations.

Operating Cost Performance and Budget Utilisation

169. The Fund exceeded its budgeted operating costs by KES 327,346,518 (5% above budget), with over-expenditure primarily driven by depreciation, amortisation, and provisions for doubtful debts.

Expense item	Budget	Actual	Var
Management investment expense	735,000,000	653,178,520	11%
Compensation of employees	4,418,547,222	4,074,790,734	8%
Trustee' Emoluments	48,000,000	55,757,130	(16%)
General administration cost	1,643,211,070	1,543,261,312	6%
Finance expense	40,000,000	39,212,361	2%
Sub total	**6,884,758,292**	**6,366,200,057**	**8%**
Depreciation & amortization	116,866,930	496,622,081	(325%)
Provision	-	466,149,601	(100)
Total	**7,001,625,222**	**7,328,971,740**	**(5%)**

Committee observation

The Committee observed that –

i. The Fund incurred Kshs. 7,328,971,740 against an approved final expenditure budget of Kshs. 7,001,625,222, resulting in an over-utilisation of Kshs. 327,346,518 or 5% of the budget. However, the explanation that the over-expenditure was primarily driven by depreciation, amortization, and provisions for doubtful debts had no basis since provisions are not reflected in the budget.

ii. The Fund under-collected by Kshs. 6,955,674,832 or 17% against the approved budget. The Fund, therefore, based its projection of Revenue on weak assumptions.

Committee Recommendations

The Committee recommends that –

The Accounting Officer must at all times ensure that the budgets are realistic, achievable, and always adhere to annual work plans and revenue collection schedules.

Unresolved Prior Year Matters

170. The Committee was informed that, as disclosed under the progress on follow-up on the auditor's recommendations section of the financial statements, various prior year audit issues remained unresolved as at 30 June 2023. Management has not provided reasons for the delay in resolving the prior year's audit issues as required by the National Treasury guidelines.

Management response

171. The Fund had the following outstanding audit issues, which are at different stages of resolution

a) Non-Compliance with the Unclaimed Financial Assets Act, 2011

172. The management informed the Committee that, the issue of non-compliance arises from legislative discrepancies between the Unclaimed Financial Assets Act, 2011 and the National Social Security Fund (NSSF) Act. While the Unclaimed Financial Assets Authority (UFAA) requires the transfer of unclaimed financial assets, the NSSF Act, expressly prohibits the transfer of member funds to another entity, creating a legal conflict. Specifically, section 30 of NSSF ACT CAP 258 prohibits the Fund from transferring any benefits to another institution. The Fund remains committed to working collaboratively with relevant stakeholders to find a viable solution while ensuring adherence to governing laws and safeguarding member interest.

b) Unconfirmed Tax Receivables

173. The management informed the Committee that the tax receivable of Kshs. 904,903,717 is a long-standing tax refund due from KRA. PIC in its 22nd report recommended that KRA settle within six (6) months. The matter was also the subject of a court matter, which the High Court ruled in favor of NSSF in 2016. However, KRA is yet to settle the reason why the issue remains outstanding.

Committee Observations and Recommendations

The Committee observed that the prior year matters listed above had been deliberated on in its Report for the financial year ending 30th June, 2022 and upholds the observations and recommendations therein.

1.0 Delay in Completion of Assets under Construction

1.1 Construction of Boundary Wall at Plot in Bamburi

174. The Committee heard that the statement of net assets available for benefits reflects the assets under construction balance of Kshs. 39,978,685 as disclosed in Note 30 to the financial statements, which includes Kshs. 8,624, 178 relating to the construction of a boundary wall of a plot in Bamburi at contract price of Kshs. 16,563,900 that was to be completed within eight (8) weeks from 12 March, 2017. The works were suspended due to encroachment by a water pipeline on the land and underground cables passing through the land, an indication that the Fund had not conducted a survey before contract award. The suspension was lifted on 21 March 2018, but the contractor was unable to complete the work, leading to contract termination after 81% of the works had been completed. However, the termination letter was not provided for the audit.

175. The Fund entered into a new contract with another contractor on 28 September, 2020 for completion of the remaining works at a contract price of Kshs. 6,233,094 which was to be completed within eight (8) weeks. Documents provided for audit revealed that Kshs. 1,881,464 had been paid to the contractor. However, as at the time of the audit in February 2024, the construction of the wall had not been completed, yet Management has not taken any measures to compel the contractor to complete the works or terminate the contract. This was contrary to Section 9 of the contract document, which requires that the procuring entity may, without prejudice to any other remedy accruing to it for breach of contract, terminate this agreement in writing in whole or in part if the tenderer fails to perform any other obligation under this agreement.

176. In the circumstances, the value for money spent on the boundary wall could not be confirmed.

Management response

177. The management informed the Committee that the Fund is awaiting completion of the upgrading of the Mombasa/Malindi Highway, which impacted the area with an interchange under construction at the site, to resume construction and finalisation of the boundary wall of the Bamburi parcel.

Committee observation

The Committee observed that –

i. The works for the construction of a boundary wall of a plot in Bamburi, which was awarded to two contractors between 2017 and 2020, remain incomplete despite the Fund making payments to the contractors amounting to Kshs. 8,624. 178 and Kshs. 1,881,464 to the former and the new contractors respectively.

ii. The first contract was suspended due to encroachment by a water pipeline land and underground cables passing through the land an indication that the Fund had not conducted proper feasibility survey before contract award and therefore the value for money spent on the boundary wall could not be confirmed.

Committee Recommendation

The Committee recommends that –

Within three months upon adoption of this report, the Accounting Officer should submit a report to the National Assembly and the Auditor-General on the status of the project, the amounts paid to the contractors on the project and the penalties levied for the delays. The report should also include a survey and feasibility studies carried out before initiating projects to avoid delays in project completion and losses.

1.2 Other assets under construction

178. The Committee heard that the statement of net assets available for benefits reflects assets under construction, a balance of Kshs. 39,978,685 as disclosed in Note 30 to the financial statements, which includes Kshs. 31,354,506 relating to the construction of the SSH Gym Centre and Bulk filers at a cost of Kshs. 6,995,968 and Kshs. 24,358,538,8,538 respectively. However, the status report on completion was not provided for audit.

179. In the circumstances, the value for money for the expenditure on the projects could not be confirmed.

Management response

180. The Management informed the Committee that the bulk filers have been delivered, fully installed, and are currently in operational use within the designated premises. There is, however, a case in court.

181. The SSH Gym project involved renovations and installation of gym equipment, which have been completed. An inspection report, confirming completion and compliance with required standards, has been provided. All costs related to this project have been capitalised to ensure proper accounting treatment.

Committee observation

The Committee observed that –

182. The management failed to provide status reports and the completion certificates for the SSH Gym Centre and Bulk Fillers projects totaling Kshs.31,354,506 and was therefore in breach of section 154 (a) of the Public Procurement and Asset Disposal Act, CAP 412C which requires the Accounting Officer to issue certificate of completion to the contractor confirming completion of the works.

Committee Recommendation

The Committee recommends that –

The Committee reprimands the then Accounting Officer for failing to adhere to the provisions of section 154 (a) of the Public Procurement and Asset Disposal Act, CAP 412C.

2.0 Lack of Contract for the Provision of Travel Services

183. The Committee heard that a review of documents provided revealed that the Fund entered into a contract with a supplier for the provision of travel services on 10 June 2021, renewable for one year, subject to a maximum of two years and subject to annual appraisal with good performance scores. During the year under review, the contract was renewed for the first year,

which started on 10 April 2022 and ended on 10 April 2023. However, the Fund paid Kshs. 12,555,265 between May and June 2023 after the expiry of the contract.

184. In the circumstances, the regularity of the payments of Kshs. 12,555,265 made without a valid contract could not be confirmed.

Management response

185. The Fund initiated the contract renewal process in March 2023, but due to administrative delays, final approval was granted in October 2023. A competitive procurement process was conducted, and contracts were awarded to three vendors, ensuring compliance and continuity of services. To prevent future delays, the Fund has implemented measures to streamline contract renewal timelines. The Fund has since signed a contract with the service providers

Committee observation

The Committee observed that –

i. The Fund paid Kshs. 12,555,265 about three months after the expiry of the contract. The Accounting Officer was therefore in breach of Article 227 (1) of the Constitution, which requires that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

ii. The failure by management to monitor the expiry and ensure timely renewal of the contract indicated weak internal controls in contract monitoring and administration.

Committee Recommendation

The Committee reprimands the then Accounting Officer to failing to adhere to the provisions of Article 227 (1) of the Constitution.

3.0 Long Outstanding Advance Payment on Stalled Embakasi Scheme Project

186. The Committee was informed that a review of the documents provided for audit revealed that the Fund paid Kshs. 215,540,774 advance payments to a contractor for the construction of the Embakasi Phase VI project. The project stalled due to a lack of approval for the change of

user by the Nairobi City County Government. However, as at the time of the audit in February 2024, the Fund had not recovered the advance payment from the contractor.

187. In the circumstances, Management was in breach of the law, and the recovery of the advance payment appears doubtful.

Management response

188. The Management informed the Committee that this is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year. The Fund is considering engaging the contractor and relevant approving authorities with a view to exploring possibilities of reviving the project and recovering the advance paid to the contractor.

Committee Observations and Recommendations

The Committee observed that the issue on Long Outstanding Advance Payment on Stalled Embakasi Scheme Project was deliberated in its Report for the financial year ending 30th June, 2021 and upholds the observations and recommendations therein.

4.0 Lack of Lease Agreement

189. The Committee heard that the statement of changes in net assets available for benefits reflects general administrative costs, a balance of Kshs. 2,134,852,885 as disclosed in Note 14 to the financial statements, which includes Kshs. 300,718,391 relating to rent expenses, out of which Kshs. 206,712 was paid as parking fees for the Fund's Kisumu offices. However, a lease or contract agreement was not provided for audit review.

190. In the circumstances, the regularity of the rent expense of Kshs. 206,712 could not be confirmed.

Management response

191. The management informed the Committee that the Fund acknowledges the query regarding the parking fees of KES 206,712 paid as part of rent expenses for the Kisumu offices, as disclosed in Note 14 to the financial statements. To confirm the regularity of this expense, the

lease agreement between NSSF and KCB Bank Ltd (the landlord) is hereby provided for audit verification.

Committee observation

i. The Committee observed that the Fund paid Kshs. 206,712 as parking fees for its Kisumu offices. However, the Fund did not provide a lease or contract agreement for audit review as at the time of the audit, contrary to Section 62 of the Public Audit Act CAP 412 B.

ii. The lease agreement provided was invalid since it did not have the signature of the lessor(KCB bank)

Committee Recommendations

The committee recommended that –

i. The Accounting Officer should at all times submit relevant documents to the Auditor-General during the audit process to confirm the regularity of the expenses and to ensure compliance with the relevant laws.

ii. Within three months upon adoption of this report, the Accounting Officer (NSSF) should provide a report to the National Assembly and the Auditor-General for review of all its leased property, lease charges per annum, lease agreements, and the respective staff occupancy.

5.0 Hire of Kisumu Investment Property

192. The Committee heard that the statement of net assets available for benefits reflects the investment property balance of Kshs. 35,535,225,456 as disclosed in Note 29 to the financial statements, which includes Kshs. 220,000,000 for Kisumu Estate Land. However, physical verification carried out in September 2023 revealed that an individual was operating a garage on the parcel of land. However, a lease or tenancy agreement indicating the rent payable and duration of the lease was not provided for audit verification. Further, an updated list of tenants indicating the specific period they took possession of, the monthly rent payable and tenancy agreements was not provided for audit.

193. Further, rent payments by tenants occupying the land are remitted to the Fund by some tenants, while others pay the County Government of Kisumu. This has denied the Fund from receiving optimal revenue on the property. In the circumstances, the Fund's failure to gain full control of the land denies the Fund revenue.

Management response

194. The Fund acquired the Kisumu property for redevelopment. The structures on the site are not suitable for rental purposes as they are dilapidated, and thus, the Fund has no intention of making them good to allow for formal leasing. Further, the Fund has in its custody ownership documents for the property and pays land rates to Kisumu County.

Committee observation

The Committee observed that –

i. The Fund does not have full control of its Kisumu estate land valued at Kshs. 220,000,000. Further, some tenants occupying the land remit the rent to the Fund, while others pay the County Government of Kisumu, thus denying the Fund its optimal revenue.

ii. The Fund response that the structures on the Kisumu estate land site are dilapidated and thus not suitable for rental purposes implies that the then Accounting Officer was in breach of section 72 (1) of the Public Finance Management Act, CAP 412A which requires and Accounting Officer to manage assets in a way which ensures that the national government entity achieves value for money in acquiring, using and disposing of assets and section 160 (1) of the Public Procurement and Asset Disposal Act, CAP 412C which requires an Accounting Officer to manage assets for the purpose of preventing wastage and loss.

iii. The management indicated that the Fund had no intention of renovating the dilapidated structures on the site to be habitable for rental purposes. The purpose of the acquisition is therefore not clear.

Committee Recommendations

The Committee recommends that –

The Committee reprimands the then Accounting Officer for breach of section 72 (1) of the Public Finance Management Act, CAP 412A, and section 160 (1) of the Public Procurement and Asset Disposal Act, CAP 412C.

1.0 Court Injunctions on Rent and Tenants without Lease Agreement

195. The Committee heard that a review of the records provided revealed that eight (8) tenants in Social Security House, Mombasa, had obtained injunctions against the landlord and the Fund management due to court cases. Further, seven (7) other tenants were occupying the premises without lease agreements. In addition, despite the Fund's efforts to have these tenants sign new lease agreements, they have refused to do so, resulting in the Fund being denied rent for the use of its premises. In the circumstances, the effectiveness of controls over revenue could not be confirmed.

Management response

196. The management informed the committee that the Fund maintains a robust rent collection system and continues to uphold its financial interests. Legal proceedings have been initiated to challenge injunctions obtained by certain tenants, with the matter currently under court review. Despite efforts to regularize tenancy agreements, some occupants have declined to formalize leases, affecting revenue collection. However, the delayed execution of leases does not indicate deficiencies in revenue control.

197. The Fund remains committed to regulatory compliance and is actively pursuing legal and administrative solutions to resolve these concerns.

Committee observation

The Committee observed that –

The court injunctions obtained by eight tenants have disrupted the Fund's ability to enforce its tenancy policies and collect rent. This has created uncertainties over asset use and undermines the generation of revenue from investment property.

Committee Recommendation

The Committee recommends that –

i. The Accounting Officer National Social Security Fund should pursue Alternative dispute resolution mechanisms in the resolution of the cases.

ii. Within three months upon adoption of this report, the Accounting Officer (NSSF) should provide a report to the National Assembly and the Auditor-General for review of all its leased property, lease charges per annum, lease agreements and the respective staff occupancy.

2.0 Contributions in Suspense Account

198. The Committee heard that, review of members' contributions revealed that the Fund maintains employer contribution clearing accounts where total contributions are posted from employers for the credit of members' accounts for benefits payment once they qualify as per the National Social Security Act, 2013. However, as previously reported, contributions in transit, representing contributions which had not been posted to individual members' accounts, stood at Kshs. 942,000,000 (2022 – Kshs. 720,000,000 as disclosed in Note 34 to the financial statements. These arise from a lack of integration between the employer's bank accounts and the Fund's collection system, leading to delays in updating members' accounts with their deposits. No sufficient explanation was provided for the inability to reconcile and post the suspense balance of Kshs. 942,000,000 to the respective members' accounts, which had accumulated over the years.

199. In the circumstances, the effectiveness of the internal control system on the prompt updating of members' contributions could not be confirmed.

Management response

200. The management informed the Committee that, National Government, the County Governments, and the Teachers Service Commission are the three entities that hold the bulk of Contributions in transit. These are also employees who were previously exempted under the repealed NSSF Act, Cap. 258. The majority of the employees have yet to submit their NSSF Member Registration Numbers to their employers. The Fund has prioritised the registration and updating of these member accounts across the branch networks.

201. In the financial year 2021/2022, clearance of Kshs. 258,080,592.60 was resolved, Kshs. 245,882,722.35 was resolved in the FY 2022/2023, and Kshs. 527,482,706.92 resolved in the financial year 2023/2024 and posted to member accounts. In the current financial year 2024/2025, Kshs. 568,703,398.21 has been cleared, and management initiatives are ongoing and monitored periodically.

202.

Committee Observations and Recommendations

The matter on Contributions in Suspense Account was addressed in the committee report for the financial year 2021/2022 and upholds the observations and recommendations made therein.

FINANCIAL YEAR 2023/2024

1. Budgetary Control and Performance

203. The Committee heard that the comparison of budget and actual amounts reflects the net revenue budget and actual on a comparable basis of Kshs. 78,942,917,020 and Kshs. 105,290,393,953, resulting in an overperformance of Kshs. 26,347,476,933, or 33% of the budget. The revenue overperformance is attributed to the upward revision of the mandatory contribution to the Fund by the employers and the employees. However, this fact was not considered in formulating the revenue budgeting of the Fund.

204. Similarly, the capital budget absorption for the year under review reflects the final capital expenditure budget and actual expenditure on a comparable basis of Kshs. 4,062,000,000 and Kshs. 206,328,431 resulting in an underutilization of Kshs. 3,855,671,569 or 95% of the budget.

205. The underutilization of the development budget affected the Fund's planned activities and projects, which may have negatively impacted members' returns by way of investment income.

Management response

206. The Committee was shown the table that provides a comparison between budgeted and actual performance for the year and the variance thereof.

Revenue	Budget	Actual	Variance	%
Contribution	38,584,905,720	62,288,402,382	23,703496,662	61
Dividend Income	6,000,000,000	4,198,497,148	(1,801,502,852)	(30)
Interest Income	28,850,000,000	34,871,715,164	6,021,715,164	21
Rent Income	1,340,640,300	1,230,183,008	(110,457,292)	(8)
TPS Interest income	422,000,000	272,943,048	(149,056,952)	(35)
Realised Gain on Investments	150,000,000	(215,684,206)	(365,684,206)	(244)
Unrealised gain on investments	3,495,371,000	2,988,668,249	(506,702,751)	(14)
Other Investment Income	50,000,000	(955,849,185)	(1,005,849,185)	(2012)
Other Income	50,000,000	611,518,345	561,518,345	1123
	78,942,917,020	**105,290,393,953**	**26,347,476,933**	**35**

Capital Expenditure

Items	Budget	Actual	Variance	%
Operational capital items (equipment, Furniture, IT etc)	610,000,000	206,328,431	(403,671,569)	66
Development Projects	3,452,000,000	0	(3,452,000,000)	100
Total	**4,062,000,000**	**206,328,431**	**(3,855,671,569)**	**95**

207. The variance of Kshs. 26.3 billion in total revenue can be explained mainly by overperformance in contributions and Investment Income. Total contributions outperformed the budget by Kshs. 23 billion, mainly on account of the year 2 contribution rates rollout as per the NSSF Act and the onboarding of the Public Service employees in the month of August 2023.
208. In the previous year, 2022/2023, the Fund collected Kshs. 26 billion and budgeted collections of Kshs. 38 billion in the 2023/2024 financial year, which was a growth of 46%.
209. The Investment Income outperformed the budget by Kshs. 6 billion, mainly on account of positive equity market performance and rising interest rates.
210. The Fund's Capital budget absorption was significantly lower than expected, mainly on account of delayed budget approval and freezing of new capital budgets through the National Treasury Budget dated March 2024. The Fund received budget approval for projects in January 2024.

Committee Observations

The Committee noted that;

i. The Fund achieved an overperformance of Kshs. 26,347,476,933, or 33% of the budget, was attributed to the upward revision of the mandatory contribution to the Fund by the employers and the employees. However, the Fund did not consider the fact while formulating the revenue budget thus unrealistic since the Fund was already aware of the revised contributions.

ii. The underutilization of the development budget by Kshs. 3,855,671,569 or 95% of the budget impacted negatively on members' returns by way of investment income.

iii. The submission by the Fund management that the Capital budget was under-absorbed on account of delayed budget approval and freezing of new capital budgets through the National Treasury Budget dated March 2024 is invalid since the core business of the Fund is to invest available funds for the benefit of the contributors and should not be limited.

Committee Recommendations

i. The Accounting Officer must at all times ensure that the budgets are realistic, achievable and always adhere to annual work plans and revenue collection schedules.

ii. The Accounting Officer must at all times ensure that public investments are being managed in accordance with sound financial or business principles and prudent commercial practices as stipulated in Article 201 of the Constitution of Kenya 2010.

2. Long Outstanding Tax Receivables

211. The Committee heard that the Financial Statements reflect a tax recoverable balance of Kshs. 940,336,114 comprising tax refund due from KRA (1996-1997), tax on interest earned from bank balances. And a low interest tax of Kshs. 904,903,717, Kshs. 8,937,527 respectively. The tax refund due from KRA (1996,1997) relates to 1996- and 1997-income tax return amounts of Kshs. 493,257,328 and Kshs. 411,646,389 that were inadvertently paid to the Kenya Revenue Authority (KRA) after the Fund had become tax-exempt. The balance of Kshs. 35,432,397 relates to 2019/2020 withholding, Income tax withheld by various banks. However, Management did not provide for audit review evidence of progress made in the refund of the overpaid taxes.

212. In the circumstances, the Fund has not been getting any returns on the long outstanding tax receivable balance of Kshs. 940,336,114.

Management response

213. The committee was informed that the tax receivable of Kshs. 904,903,717 is a long-standing tax refund due from KRA. The refund is a subject of a prior year audit query, where PIC recommended that KRA settle it within six (6) months, and a High Court ruling issued in 2016. The Fund has continued engaging KRA over the period.

Committee Observations and Recommendations

214. The Committee observed that the matter on Long Outstanding Tax Receivables had been deliberated on in the PIC 19th and 24th Reports and in the committee report for the financial year ended 30 June 2022. The Committee upholds the observations and recommendations therein that the Kenya Revenue Authority should refund NSSF the overpaid tax of Kshs. 904,903,717.

3. Revocation of Irregularly Issued Land Title Deeds

215. The Committee heard that the net assets available for benefit and as disclosed in Note 24 to the financial statements, reflect an investment property balance of Kshs. 35,389,483,481 net of provisions for the cost of undeveloped land located in Upper Hill, Nairobi. The land was purchased by the Fund from a private developer for Kshs. 115,000,000. However, the title deed was revoked through Kenya Gazette Notice No. 3460 of 1 April 2010 on the grounds that though the title was allocated and issued to a private developer the parcel was reserved for public purposes under the relevant provisions of the Constitution, Government Land Act (Cap 280) and the Trust Land Act (Cap.288). The Fund filed the case in court and is currently awaiting a determination.

Management response

216. The Committee was informed that the Title being held by the Fund was degazetted and the possession of the property given to the PS National Treasury to hold for the Judiciary.

217. The matter has been outstanding in Court awaiting allocation of a hearing date, which has now been allocated for 11th June 2025. Further investigations by the Ethics and Anti-

Corruption Commission are ongoing on the manner in which the land was acquired and the Fund's title revoked and possession given to the Judiciary.

Committee observation

The Committee observed that –

The matter on Revocation of irregularly issued land title deeds was addressed in the PIC 22nd Report, in which the Committee made the following observations;

i. The National Lands Commission revoked the title held by NSSF via a gazette notice on 1st April 2010 and did not directly inform the Fund about the revocation. The reasons for revocation were not given to either the NSSF or the Committee at the time of allocation.
ii. The allocation of the land to the Judiciary predated the revocation of the title held by NSSF which meant that two valid titles existed for the same piece of land before revocation of NSSF's title.

The Committee further observed that;

i. The matter is still pending in the court

Committee Recommendation

The Committee recommends that –

i. NSSF should continue to engage the National Land Commission and the Ministry of Lands to ascertain the ownership of the land.
ii. The implementation committee should fast-track the implementation of the National Assembly recommendations.

Unresolved Prior Year Matters

218. The Committee heard that the audit report of the previous year, several issues under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not fully resolved the issues as at 30 June, 2024.

Management response

219. The Committee was informed that the audit report of the 2022/2023 financial year raised the following issues, and the action taken by management to resolve the issues is set out below.

i. Non-Performing Investment in Unquoted Equities

220. Decline in the value of investment in Consolidated Bank of Kenya by Kshs. Kshs. 209,265,764, and that the Fund continues to hold the investment with no return by way of dividend or capital appreciation.

Management Action to Resolve the Issue

221. The Committee was informed that the National Treasury, which is the majority shareholder, recently indicated intentions to privatize the bank through listing or selling the bank to a strategic investor. The Board of Trustees is keenly following up on the development with the intention of exiting at the earliest opportunity.

ii. Investment in Non-Performing Quoted Shares

222. The Committee was informed that the balance includes shares held in three (3) companies valued at Kshs. 170,708,881 as at 30 June 2023, whose value decreased by Kshs. 50,892,593 or (23%) from Kshs. 221,601,474 as at 30 June 2022.

Management Action to Resolve the Issue of

East African Portland Cement

223. The company is currently on a recovery trajectory, which is evident from the rise of its share price from Kshs. 4.99 as at 30 June 2024 to Kshs. 35.95 as at 13th December 2024. Further, the Fund has received in the current financial year a dividend cheque of KES 24.3 million, signalling **performance** recovery of the investment in question.

Sameer Africa

224. The Committee heard that the Fund held an investment in Sameer valued at Kshs. 2.8 million as at 30th June 2024.

Over the last 3 years, Sameer Group has restructured its operations to shut down tyre manufacturing and concentrate on Property letting. In FY 2024, Gross Profit grew by 4.8% to Ksh. 373M while Net Profit increased by over 100% from Kes. 42.4Mn to Kes 262.9Mn.

225. The Fund has asked the Fund Managers to closely monitor the performance of the company with a view to profitable divesting from the investment.

Athi River Mining

226. The Committee heard that the Company went into liquidation, and the liquidators advised that the chance for ordinary shareholders to be paid is remote and therefore Management has made a full provision for the Kshs. 16 million investments in the 2023/2024 financial statements.

iii. Long Outstanding Tax Receivables

227. The Committee heard that the recoverability of the tax receivables balance of Kshs. 904,903,717 is a long outstanding tax refund due from KRA. The refund is the subject of a prior year audit query, where PIC recommended that KRA settle within six (6) months, and a High Court ruling issued in 2016. NSSF is also in possession of letters from KRA acknowledging the debt; however, to date, KRA has yet to settle.

iv. Unremitted and Undisclosed Member Contributions

228. Failure to include long outstanding contribution arrears in the financial statements as at 30 June 2023.

Management Action to Resolve the Issue

229. Previously, management used to report contribution arrears as a disclosure, but in the year under review, contribution arrears have been included in the contribution receivable, and mechanisms to track and collect the arrears have been reinforced.

v. Delay in Construction of Boundary Wall at Plot in Bamburi

Management Action to Resolve the Issue

230. Management is awaiting completion of the upgrading of the Mombasa/Malindi Highway, which impacted the area with an interchange under construction at the site, to resume construction and finalisation of the boundary wall of the Bamburi parcel.

vi. Other Assets Under Construction

231. Status of construction of SSH Gym Centre and Bulk filers at a cost of Kshs. 6,995,968 and Kshs. 24,358,538 respectively.

Management Action to Resolve the Issue

232. The SSH Gym project was completed and deployed for use in the year 2023. The asset has been capitalised, see note 25 to the financial statements under fittings.

The bulk filers have been delivered, fully installed, and are currently in operational use within the designated premises. The Fund has paid 50% of the total cost pending the outcome of a case currently in court.

vii. Lack of Contract for the Provision of Travel Services

Payment for travel services without a valid contract for the months of May and June **2023**

Management Action to Resolve the Issue

233. The delayed procurement process for Travel services was concluded in the 2023/2024 financial year, thus resolving the matter.

Committee Observations and Recommendations

234. The Committee observed that the matters on unresolved prior year matters had been deliberated on in the Committee report for the financial year ended 30 June 2022. The Committee upholds the observations and recommendations therein.

Unachieved Performance Targets

235. The Committee heard that statement of performance against pre-determined objectives revealed a target return of 15% for members; however, only 8% was achieved, resulting in underperformance by 7%. Further, the target for new member registrations was 650,030, but only 556,304 was achieved, resulting in an underperformance of 93,696 or 14% below the target. Further, the performance targets for eight (8) items were not reflected in specific and

measurable terms, contrary to the requirement of the reporting template, which states that the management should outline the strategic pillars, activities aimed at achieving them, and outputs under each strategic pillar.

236. In the circumstances, Management did not achieve the pre-determined performance targets for the year.

Management response

237. The Committee was informed that the management acknowledges the audit observation.

238. By the time of the audit, the return to the members had not been declared, as this is done during the Annual General Meeting (AGM). The AGM has since been held (25th April 2025), and a return of 11% was declared for the members' benefit.

239. The Fund targeted the informal sector, which constitutes over 80% of the new jobs that were created in the year 2023. This resulted in 556,304 members coming on board, an 85% performance.

240. The Fund has provided alternative member registration platforms, for example, USSD (*303#), to enhance the ease of registration for members and increase member registration numbers. A total of 86,509 members were registered on this platform during the period from July 2024 to February 2025, accounting for 26% of total member registrations during the period.

241. Regarding the eight performance indicators noted as lacking specificity, Management has taken corrective action to ensure compliance with the reporting template. A capacity-building workshop for the officers charged with the responsibility of reporting has been conducted in with additional controls introduced in the internal performance review system to ensure all targets are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound).

Committee Observations

The Committee noted that;

i. The Fund targeted new member registrations of 650,030, but only 556,304 were achieved, resulting in underperformance of 93,696 or 14% below the target.

ii. The performance targets for eight (8) items were not reflected in specific and measurable terms, contrary to the requirement of the reporting template, which states that the management should outline the strategic pillars, activities aimed at achieving them and outputs under each strategic pillar.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer should prepare and submit a report to the National Assembly and Office of the Auditor-General on the corrective actions taken to ensure compliance with the reporting template and additional controls introduced in the internal performance review system to ensure all targets are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound). The Auditor-General should review and report in the subsequent audit Cycle.

1. Non-Performing Investments in Quoted Equities

242. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 23 to the financial statements reflects quoted equities of Kshs.. 61,185,359,124. The investments include shares held in two (2) companies valued at Kshs. 127,076,491 as of 30 June 2024, whose value decreased by Kshs 27,218,265 or 17.64% from Kshs. 154,294,756 as at 30 June 2023.

243. In the circumstances, the value for money from the continued holding of the quoted investment of Kshs. 127,076,491 in two (2) companies could not be confirmed.

Management response

244. The Committee was informed that the management acknowledges the audit observation.

East African Portland Cement

245. The Committee was informed that the company is currently on a recovery trajectory, which is evident from the rise of its share price from Kshs. 4.99 as at 30 June 2024 to Kshs. 35.95 as at 13th December 2024. Further, the Fund has received in the current financial year a dividend cheque of KES 24.3 million signaling performance recovery of the investment in question.

Sameer Africa

246. The Committee was informed that the Fund held an investment in Sameer valued at Kshs. 2.8 million as at 30th June 2024.

247. Over the last 3 years Sameer Group has restructured its operations to shut down tyre manufacturing and concentrate on Property letting. In FY 2024, Gross Profit grew by 4.8% to Kes 373Mn while Net Profit increased by over 100% from Kes 42.4Mn to Kes 262.9Mn.

The Fund has asked the Fund Managers to closely monitor the performance of the company with a view to profitable divesting from the investment.

Committee Observations and Recommendations

248. The Committee observed that the issue on Non-Performing Investment in Unquoted Equities was deliberated in its Report for the financial year ending 30th June, 2022, and upholds the observations and recommendations therein.

2. Non-Performing Investment in Unquoted Equities

249. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 22 to the financial statements, reflects a private equity and other unlisted securities balance of Kshs. 5,498,131,920, which includes the value of shares held at a local bank of Kshs. 38,428,500. However, the performance of the bank has been declining over the years, and no return by way of dividend or capital appreciation has been earned.

In the circumstances, the value for money from the shares held at a local bank of Kshs. 38,428,500 could not be confirmed.

Management response

250. The Committee was informed that the management acknowledges the audit observation. This is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year audit report.

251. The National Treasury, which is the majority shareholder, recently indicated intentions to privatise the bank through listing or selling the bank to a strategic investor. The Board of

Trustees is keenly following up on the development with the intention of exiting at the earliest opportunity.

Committee Observations and Recommendations

The Committee observed that the issue on Non-Performing Investment in Unquoted Equities was deliberated in its Report for the financial year ending 30th June, 2022, and upholds the observations and recommendations therein.

3. **Loss on Realization of Investments**

252. The Committee heard that the statement of changes in net assets available for benefits as disclosed in Note 10 to the financial statements reflects loss on realization of investment of Kshs.215,684,206 which includes loss of Kshs.233,083,273 on realization of treasury bonds which is an increase from loss of Kshs.77,927,393 reported in 2022/2023 financial year. This is contrary to Section 2.1 of the Fund's Investment Policy Statement, 2020, which states that the Board has a responsibility to invest the NSSF Assets in a responsible and prudent manner. In the circumstances, Management was in breach of the law.

Management response

253. The Committee was informed that the investment decisions involve buying and selling of investments in a way that optimizes returns as well as achieving a portfolio that suits/ meets set objectives and that balances risk and returns with a long-term view. The disposal of investments during the period under review was mainly carried out to achieve these objectives. During the year under review, the fund managers strategically disposed of bonds that were low-yielding and invested the proceeds in high-yielding bonds, given the rising interest rates experienced during the period. Part of these decisions contributed to the high unrealised gain reported in the period.

254. The financial year 2023/2024 experienced rising interest rates both on the short end and long end of the yield curve which resulted into decline in the value of the government bonds held by the Fund. Rise in interest rates results into decline in value of the bonds while reduction in interest rates results into growth in value of bonds. Whether the Fund decided to sale the low yielding bonds or not it would record a loss in value of the bonds; realized loss if sold the

bonds or unrealized loss if did not sale the bonds. Both realized and unrealized losses affect the performance of the fund and are reported in the profit and loss of the Fund.

255. To minimize unrealized capital losses, the Fund through its contracted fund managers sold low-yield bonds (average of 12.38%) and reinvested the proceeds into higher-yielding bonds (average of 17.47%). The Fund made a prudent decision to sale the low yielding bonds and reinvest in high yielding bonds as these guarantees higher income into the future.

Committee Observations

The Committee noted that;

i. The Fund through its contracted fund managers sold low-yield bonds (average of 12.38%) and reinvested the proceeds into higher-yielding bonds (average of 17.47%).

ii. The Fund outsourced the process of Investment to Fund managers who have a discretionary investment mandate.

Committee Recommendations

The committee recommended that;

Within three months of adoption of this report, the Fund should develop and submit to the National Assembly a prudent investment policy that is anchored on a properly diversified portfolio spreading its investments across different asset classes, sectors, and geographies using different investment styles to guide it to invest its funds which are not for the time being required to be applied for the purposes of the Fund in accordance with the provisions of Section 37 of the Retirement Benefits Act, CAP 197.

4. Fund's Premises Rented Out without Valid Lease Agreements

256. The Committee heard that the statement of changes in net assets available for benefits and as disclosed in Note 8 to the financial statements reflects an investment income amount of Kshs. 39,617,489,184, which includes rent income of Kshs. 979,78,168. Review of records provided revealed that eight (8) tenants owed the Fund Kshs. 13,973,012 and have obtained court

injunctions. Among these, two clients have been underpaying their rent and not paying on a regular basis, resulting in an accumulated balance of Kshs. 5,183,306. Further, five (5) other tenants were occupying the premises without lease agreements despite the Fund's efforts to have these tenants sign new lease agreements. This has denied the Fund rent due for the use of its premises.

257. In the circumstances, the Fund has not realised value for money from the continued occupancy of the office space by non-paying tenants.

Management response

258. The Committee was informed that the Fund acknowledges the concerns regarding tenants occupying its premises without valid lease agreements and instances of non-payment. Efforts to have the tenants sign new leases have been put but the fact that they are protected tenants has posed a challenge in execution.

The eviction and lease regularisation processes are actively underway, and the Fund remains committed to ensuring full compliance, optimising revenue collection, and securing value for its investment properties. A status report of each case is provided.

Committee observation

The Committee observed that –

i. The Fund's premises were occupied by eight (8) tenants who owed it Kshs. 13,973,012 but had obtained court injunctions. The court injunctions obtained by eight tenants have disrupted the Fund's ability to enforce its tenancy policies and collect rent. This has created uncertainties over asset use and undermines the generation of revenue from investment property.

ii. Two clients have been underpaying on an irregular basis the rent due, resulting in the accumulated balance of Kshs. 5,183,306.

iii. Five (5) other tenants were occupying the premises without lease agreements despite the Fund's efforts to have these tenants sign new lease agreements. This implies that the Fund has no control over its assets.

Committee Recommendation

The Committee recommends that –

i. The Accounting Officer National Social Security Fund should pursue Alternative dispute resolution mechanisms in the resolution of the cases.

ii. Within three months upon adoption of this report, the Accounting Officer (NSSF) should provide a report to the National Assembly and the Auditor-General for review of all its leased property, lease charges per annum, lease agreements and the respective staff occupancy.

5. Payables and Accruals

259. The Committee heard that the statement of net assets available for benefits, as disclosed in Note 34 to the financial statements, reflects a payables and accruals balance of Kshs. 2,027,774,170. The following unsatisfactory matters were, however, noted: -

5.1 Long Outstanding Tax Payables

260. The Committee heard that the payables and accruals balance include taxes payable to the Kenya Revenue Authority of Kshs. 59,714,401, whose ageing analysis indicated that Kshs. 48,642,267 relate to the year 2020 and prior years. This was contrary to Section 19(1) and (2) of VAT Act, 2013, Regulation 23(2) (a) of Public Finance Management (National Government) Regulations, 2015 and Section 74(4) of Public Finance Management Act, 2012 which require payment VAT and other taxes due to be made promptly.

Management response

261. The Committee was informed that the Fund acknowledges the observation on long-standing tax. The taxes relate to VAT on rent, which is subject to reconciliation that has been going on to establish the correct position. KRA is also on the ground where the reconciliation is jointly being undertaken in view of possible offsetting of the amounts owing with what is due from KRA.

Committee Observations

The Committee observed that;

i. The fund has a long outstanding VAT payable on rent relating to the year 2020 and prior years.

ii. There was an ongoing reconciliation jointly being undertaken between KRA and the Fund with a view to possible offsetting of the amounts owing with what is due from KRA.

Committee Recommendations

The Committee recommends that;

Within three months upon adoption of this report, the Accounting Officer of NSSF is to submit a report to the National Assembly on the outcome of the reconciliation process between the Fund and KRA, detailing the amounts owing from each entity and the modalities of settlement of the dues. Subsequently, the Fund to submit the report to the Auditor-General for audit and reporting in the subsequent audit cycle.

5.2 Long Outstanding Trade Payables

262. The Committee heard that the payables and accruals include payables amounting to Kshs. 8,979,159 that had been outstanding for periods exceeding two years. This was contrary to the National Treasury circulars dated 24 June 2023 and 16 June 2020, which require public entities to pay their creditors in a timely manner.

In the circumstances, Management was in breach of the law.

Management response

263. The Committee was informed that the Fund acknowledges the observation on long-standing tax. The taxes relate to VAT on rent, which is subject to reconciliation that has been going on to establish the correct position. KRA is also on the ground where the reconciliation is jointly being undertaken in view of possible offsetting of the amounts owing with what is due from KRA.

Committee Observations

The committee observed that the audit issue was not responded to. The Fund did not provide reasons why the payables were still outstanding, yet there was a budget to cater for the expenditure. This implied that the Fund management over-committed funds that were not available for use in its operations.

Committee Recommendations

The Committee recommends that,

Within three months upon adoption of this report, the Accounting Officer of NSSF is to submit a report to the National Assembly and the Auditor-General on the modalities of settlement of the dues.

6. Staff over establishment and employees in acting capacity beyond stipulated period.

264. The Committee heard that the statement of changes in net assets available for benefits and as disclosed reflects the administration cost of Kshs. 6,950,213,769, which includes staff costs of Kshs. 4,585,675,7 1 8. However, a review of the Fund staff establishment revealed that some of the cadres had exceeded the approved staff establishment. Seven (7) job cadres had establishment for sixty-six (66) positions while staff in post was eighty (80), resulting in an over establishment by fourteen (14). Further, a review of the payroll and human resources records revealed that six (6) employees had been appointed in an acting capacity for periods exceeding six (6) months. This was contrary to Section 34 (3) of the Public Service Commission Act, 2017, which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. The affected staff were on acting appointment up until the time of audit in September 2024.

In the circumstances, Management was in breach of the law.

Management response

The Committee was informed as follows by management that;

i. The Fund carried out a job evaluation and came up with a new structure, and also developed new human resource instruments, which received approval in the year under review, and implementation is underway.

ii. Recruitment to fill the vacancies and substantively fill the vacant positions was successfully undertaken, and the majority of vacancies were filled by March 2025.

iii. The internal recruitment/promotions process is ongoing, with the process expected to be concluded in April 2025. Attached are adverts for the vacancies.

iv. Acting appointments are intervening measures instituted to ensure business continuity and minimise service delivery interruptions. With the above recruitments, acting appointments have been considerably reduced.

Committee observations

The Committee observed that –

i. The approved staff establishment for seven (7) job cadres was sixty-six (66) positions. However, the staff in post was eighty (80), exceeding the establishment by fourteen (14). This exposed the Fund to regulatory non-compliance and reputational harm.

ii. Six (6) employees had been appointed in an acting capacity for periods exceeding six (6) months, contrary to Section 34 (3) of the Public Service Commission Act, 2017, which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

Committee Recommendations

i. Within three months upon adoption of this report, Board of the Fund and the State Corporations Advisory Council should review and submit a report the National Assembly and the Auditor-General on the measures taken to enforce compliance with approved Human Resource instruments.

ii. Within three months upon adoption of this report, the Accounting Officer should provide a detailed report on the reasons for failing to observe the approved Human resource instruments. In addition ensure adhere at all times to the Public Service Commission Human Resource Policies and Procedures Manual on staffing and ensure filling of vacancies promptly as per the approved staff establishment structure to effectively deliver services to the public.

7. Administrative Costs

265. The Committee heard that the statement of changes in assets available for benefits and as disclosed in Notes to the financial statements, reflects administrative costs of Kshs. 6,950,213,769. The following unsatisfactory matters were, however, noted:

7.1 Irregular Procurement of Conference Facilities

266. The administrative costs amount includes meetings, travelling, and subsistence amount of Kshs.317,586,319 out of which Kshs. 11,312,400 relates to conference facilities. The facilities were, however, procured through requests for quotations from non-registered Suppliers. This was contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a request for quotations from the register of suppliers for procurement of the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum of Kshs.3,000,000 for using requests for quotations as prescribed in Regulations.

267. Further, an amount of Kshs. 3,337,000 was paid to a local hotel, which exceeded the contracted value in the Local Purchase Order (LPO) of Kshs.1,000,000 resulting in over expenditure of Kshs. 2,337,000. Management indicated that the over expenditure was due to the extended duration in the hotel. However, there was no pre-approval to engage the Hotel for the extra service that was paid.

In the circumstances, Management was in breach of the law.

Management response

268. The Committee was informed that the management has noted and acknowledges the auditor's concerns.

269. The Local Purchase Order (LPO) valued at KES 1,000,000 was issued to cover the initial conference package for a planned event involving an estimated 200 participants, covering venue and breakfast.

270. The additional cost of KES 2,337,000 was incurred due to unanticipated changes in the scope of the event, specifically, provision of lunch in addition to breakfast that had been catered for, an increase in the number of participants and the need for a holding room for the chief guest Appropriate approval was sought to facilitate the settlement.

271. Management has implemented corrective measures to ensure strict adherence to procurement regulations. All future procurements are being conducted exclusively through registered suppliers, in full compliance with applicable legal provisions.

Committee Observations

The Committee noted that;

i. The conference facilities with the total amount of Kshs.11,312,400 were procured through requests for quotations from non-registered Suppliers contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a request for quotations from the register of suppliers for procurement of the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum of Kshs.3,000,000 for using requests for quotations as prescribed in Regulations.

ii. Local Purchase Order (LPO) of Kshs. 1,000,000 was paid a total amount of Ksh. 3,337,000, resulting in over expenditure of Kshs.2,337,000 without the required pre-approval.

Committee Recommendations

The Committee recommended that;

i. The Committee reprimands the then Accounting Officer for contravening Section 105(a) of the Public Procurement and Asset Disposal Act, CAP 412C.

ii. Within three months upon adoption of this report, the Inspector-General to surcharge the then Accounting Officer and the Head of procurement the over-expenditure of Kshs. 2,337,000 and any penalties prescribed in both the PFM Act CAP 412A and Public procurement and Disposal Act Cap 412C for breach of section 105(a) of the Public Procurement and Asset Disposal Act CAP 412C and provide evidence of this surcharge to the PIC-SSAA.

7.2 Irregular Procurement of Fuel through Cash

272. The Committee was also informed that the administrative costs also include motor vehicle running expenditure of Kshs. 51,026,216. However, a review of the fuel ledger revealed a cash purchase of fuel amounting to Kshs. 3,205,688 made through standing imprest. This was contrary to the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020, which sets the maximum value for low-value procurement under goods at Kshs. 50,000 per item per financial year. Although Management explained that they contracted a fuel dealer who had a Framework Agreement from the Ministry of Lands, Public Works and Urban

Development, the dealer did not have fuel stations countrywide. However, audit verifications revealed that imprests issued were for high amounts, and the Fund should have procured other fuel suppliers competitively to comply with the law.

Management response

273. The Committee was informed that the Fund previously procured fuel through National Oil Co., the designated government supplier, in line with a government directive. However, due to unforeseen internal challenges, National Oil was unable to sustain supply, necessitating a temporary cash purchase to ensure continuity of Fund operations while the government finalized the onboarding of a new supplier. To ensure smooth operations, a standing imprest was issued for fuelling all 19 vehicles at the head office, which totalled to an amount of Kshs 3,205,688 for the 9 months it took us to get a new government contracted supplier.

274. Throughout this period, strict controls were implemented to prevent misuse of funds. Once the new government-contracted supplier was in place, the cash purchase arrangement was immediately discontinued, and the Fund transitioned to the approved service provider.

Committee Observations

The Committee observed that;

The Fund purchased fuel for Ksh. 3,205,688 through standing imprest contrary to the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020, which sets the maximum value for low-value procurement under goods at Kshs. 50,000 per item per financial year. This was reportedly due to the inability of the National Oil Company (contracted supplier) to sustain the fuel supply.

The Committee noted that;

Committee Recommendation

i. The Committee reprimands the then Accounting Officer and the then Head of procurement for contravening the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

ii. Within three months upon adoption of this report, the Inspector-General to surcharge the then Accounting Officer and the Head of procurement and any penalties prescribed in both the PFM Act CAP 412A and Public procurement and Disposal Act Cap 412C for breach of the Public Procurement and Asset Disposal Act CAP 412C and provide evidence of this surcharge to the PIC-SSAA.

7.3 Irregularities in the Procurement of Renovation Works

275. The Committee heard that the administrative costs amount includes repairs and general maintenance of Kshs.410,888,300 out of which Kshs. 14.438,945 was spent on renovation works procured through a request for quotations. However, a single committee was appointed to both open and evaluate the quotations contrary to Regulation 91(2) (a) and (b), (3) and (4) of Public Procurement and Asset Disposal Regulations, 2020, which states that Accounting Officer or such other person delegated in writing by that Accounting Officer shall, and for the purposes of the procurement process, appoint an ad hoc opening committee in accordance with Section 78 of the Act. and the ad hoc evaluation committee in accordance with Section 46 of the Act and Regulation 39 of these Regulations, in addition, there was no evidence of a preliminary and technical evaluation of the submitted quotations. Review of the quotation and the opening minutes revealed several gaps in the process, such as unsigned minutes by all the committee members and work that was either not inspected or not accepted by the committee immediately after completion.

276. In the circumstances, Management was in breach of the law.

Management response

277. The Committee was informed that the Fund acknowledges the procedural gaps identified in the procurement of renovation works, which were primarily due to understaffing at the time, hence the establishment of a single committee.

278. This issue has since been resolved through staff recruitment conducted earlier in the year, ensuring proper compliance with Regulation 91 of the Public Procurement and Asset Disposal Regulations, 2020. The management has ensured the separation of the observed functions by establishing distinct committees (opening and evaluation committees) for each quotation or tender.

Committee Observations

The Committee observed that;

The Fund procured Renovation works worth Kshs. 14.438,945 procured through a request for quotations. However, a single committee was appointed to both open and evaluate the quotations contrary to Regulation 91(2) (a) and (b), (3) and (4) of the Public Procurement and Asset Disposal Regulations, 2020.

The Committee noted that;

Committee Recommendations;

The Committee reprimands the then Accounting Officer and Head of procurement for breach of Section 30 of the PFM Act CAP 412A which requires that all procurement of goods and services required for the purposes of the national government or a national government entity be carried out in accordance with Article 227 of the Constitution and the relevant legislation on procurement and disposal of assets.

8.0 Investment in Government Bonds

279. The Committee heard that the statement of net assets available for benefits and as disclosed in Notes to the financial statements reflects Government Securities, treasury bonds and corporate bonds balances of Kshs. 253, 804,875,051 and Kshs.1,723,248,494 respectively. The following unsatisfactory matters were, however, noted: -

8.1 Purchase of Bonds at a Premium

280. The Committee heard that the review of the Fund's bank statements revealed that bonds which were purchased at a cost of Kshs. 12,000,300,000 were purchased at a premium of Kshs.500,711,695 without satisfactory explanations. Further, there was no analysis provided for an audit comparing the premium paid, which in some instances was higher than the coupon rates earned for the period before purchase. This contravenes Section 2.1 of the Fund Investment Policy Statement, 2020, which states that the Board has a responsibility to invest the NSSF Assets in a responsible and prudent manner.

In the circumstances, the Fund's assets investment may not have been undertaken prudently.

Management response

281. The Committee was informed that the management acknowledged the Auditors' query regarding the National Social Security Fund's (NSSF) purchase and sale of government treasury bonds at a premium or discount, rather than at their nominal values.

282. The Fund has outsourced the process of Investment to Fund managers who have a discretionary investment mandate but within the Fund's approved Investment Policy Statement (IPS).

283. The bonds purchased in question were mainly through the secondary market, and the premium above the nominal value is on the basis of full price, which captures both the actual price and accrued interest, which is to the benefit of the buyer in this case, the Fund.

284. It's worth noting that the purchase and sale of government treasury bonds in the secondary market are subject to market forces, including prevailing interest rates, demand, and supply dynamics. Consequently, the prices at which these bonds are traded often deviate from their nominal (face) values. The key driver to purchase bonds is Interest Rate Movements and the Accrued interest component:

285. Treasury bonds are typically issued with a fixed interest (coupon) rate. However, when market interest rates fluctuate, the price of existing bonds adjusts accordingly. Analysis showing the accrued interest (Coupon) included in the purchase price of the bonds in question is provided with the coupon even for the dates before the same had been bought by the fund and this explains why the purchase price are higher than the nominal value besides the impact of supply and demand which also impacts the purchase price.

286. The management also informed the Committee that they also wish to state that even in government primary auctions, there are instances where bonds are sold at a premium, mainly driven by market dynamics. Below is a list of bonds issued by the government of Kenya in the primary auction that have been issued at a premium, demonstrating that bond prices are market-driven.

Bond Issue Number	Date	Price	Subscription ratio
IFB1/2023/6.5	9/8/2024	103.7373	131%
FXD1/2024/010	22/07/2024	102.3524	105%
FXD1/2023/005	7/6/2024	103.3867	141%

287.As can be seen below out of the total premium of Kshs 500 million, the fund gained accrued interest of Kshs 255 million thus leading to a net premium of Kshs 245.7 million out of which Kshs 159.5 million was premium paid to Central Bank of Kenya for the bonds purchased in the primary market.

288.With this analysis, the actual premium is Kshs 86 million which is on account of prevailing market conditions and higher yields to the long-term benefit of the fund.

Summary of bonds purchased at premium

	NOMINAL VALUE	CONSIDERATION	PREMIUM	ACCRUED INTEREST	NET PREMIUM
Purchase in the primary market (CBK)	6,485,000,000	6,644,453,980	(159,453,980)		(159,453,980)
Purchase in the secondary market	5,515,300,000	5,856,561,104	(341,261,104)	255,044,707	(86,216,397)
Total	**12,000,300,000**	**12,501,015,084**	**(500,715,084)**	**255,044,707**	**(245,670,377)**

Committee Observations

The Committee noted that;

i. The Fund outsourced the process of Investment to Fund managers who have a discretionary investment mandate.

ii. The purchase and sale of government treasury bonds in the secondary market are subject to market forces, including prevailing interest rates, demand and supply dynamics.

iii. Out of the total premium of Kshs 500 million, the fund gained accrued interest of Kshs 255 million thus leading to a net premium of Kshs 245.7 million out of which Kshs 159.5 million was premium paid to Central Bank of Kenya for the bonds purchased in the primary market.

Committee Recommendations

The committee recommended that;

The Committee upholds the recommendation made in paragraph 252 on Investments.

8.2 Trading in Bonds

8.2.1 Sale of Bonds at Discount Price

289. The Committee heard that the schedule of treasury bond purchases, sales, and redemption and bank statements reflect bonds purchased at a nominal value of Kshs.5, 108,450,000 were sold for Kshs. 4,319,290,919 below the bond's par value by Kshs. 789, 159,081. This was contrary to Section 2.1 of the Fund Investment Policy Statement, 2020, which states that the Board has a responsibility to invest the NSSF Assets in a responsible and prudent manner. It was noted that some bonds recorded high capital losses, and the yield rate was minimal, and Management did not compare the high capital losses with the yield rate for each bond.

Management response

290. The Committee was informed that the Fund has outsourced the process of Investment to fund managers who have a discretionary investment mandate, but within the Fund's approved Investment Policy Statement (IPS).

Bonds are generally sold at a discount if the coupon rate is lower than the current market rate, as investors will only purchase the bond at a price below its nominal value (discount) to compensate for the lower return.

291. The fund managers sold bonds which had lower yields with the objective of deploying proceeds into higher-yielding bonds so as to improve the returns for the Fund, which has been a challenge for a number of years.

292. As can be seen from the table below, all bonds which were sold at a discount had significantly lower coupons compared to the prevailing market yields. It is not possible to have such bonds sold at nominal prices or prices above nominal, as these are true market dynamics.

Bond Issue No.	Nominal Amt	Sale Price	Discount	Coupon rate	Market yield
FXD 1/2018/15YR	555,500,000	466,853,044	88,646,956	12.6500%	14.9685%
FXD 1/2019/10Yr	1,500,000	1,321,808	178,193	12.4380%	17.4642%
FXD 1/2021/25YR	440,000,000	390,923,910	49,076,090	13.9240%	15.4500%
FXD 1/2022/10YR	8,000,000	7,117,672	882,328	13.4900%	14.9825%
FXD 2/2018/20YR	1,500,000	1,435,190	64,811	13.2000%	14.9539%
FXD1/2011/20Yr (Re-opened)	255,000,000	185,792,975	69,207,026	10.0000%	15.1276%
FXD1/2012/20Yr	1,448,850,000	1,179,593,264	269,256,736	12.0000%	15.0383%
FXD1/2021/020YR	1,100,000,000	986,386,057	113,613,944	13.4440%	15.0075%
FXD1/2022/25YR	300,000,000	272,435,115	27,564,885	14.1880%	16.0000%
FXD2/2013/15Yr	220,300,000	187,792,871	32,507,129	12.0000%	17.5583%
IFB 1/2018/20Yr	850,000,000	721,429,514	128,570,486	11.9500%	12.4250%

293. The Investment decisions undertaken by the Fund Managers generated a return of 13.5% from the assets managed by the fund managers which was much higher compared to previous years when the fund has generated returns lower than 4%.

294. The discount of Kshs 789,159,081 at which the funds bonds were sold does not necessarily reflect the actual loss. A loss in a bond transaction is determined by the book value of the bond at the point sale and the actual sale proceeds received. Bonds are always revalued on regular basis to determine their actual value which is always influenced by the prevailing interest rates.

Committee Observations

The Committee noted that;

i. The Fund outsourced the process of Investment to Fund managers who have a discretionary investment mandate.

ii. The purchase and sale of government treasury bonds in the secondary market are subject to market forces, including prevailing interest rates, demand and supply dynamics.

iii. The Investment decisions undertaken by the Fund Managers generated a return of 13.5% from the assets managed by the fund managers which was much higher compared to previous years when the fund has generated returns lower than 4%.

Committee Recommendations

The Committee recommended that;

The Committee upholds the recommendation made in paragraph 252 on Investments.

8.2.2 Bonds Purchased at Premium but Sold at Discount,

295. The Committee heard that the audit verifications carried out revealed that similar bonds purchased and sold during the year under review were purchased at a premium at prices higher than the nominal price, amounting to Kshs. 79,077,296 and sold at discounted prices, amount to Kshs. 192,967,771, resulting in a capital loss of Kshs. 272,045,067. No satisfactory explanation was provided for the decision to purchase the bonds at a premium and sell at a discount within the same period. This contravenes Section 2.8 of the Fund Investment Policy Statement, 2020, which requires that investments shall be made with proper judgment and care under the circumstances prevailing, which pursue prudence, discretion and intelligence exercise considering probable safety of the capital as well as the probable income to be derived.
296. In the circumstances, the assets of the Fund might not have been invested prudently and safeguarded from the decline in value.

Management response

297. The Committee was informed that the Fund has outsourced the investment decisions to 6 fund managers for the period under review, and each fund manager independently undertakes their investment decisions without reference to the other. Therefore, you will find one fund manager doing purchases while another one is selling in line with their respective investment strategies.
298. The Fund managers have the discretionary mandate and justification of their investment actions in respect of the sale and purchase of bonds as are contained in the Fund Investment Policy.
299. The Investment decisions made by the Fund in the year 2023/2024 resulted into better performance resulting in an investment return of 12% as summarized in the table below.

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Return on Investment	1.4%	1.8%	10.4%	(3.2)%	2.1%	12.0%

300. In the year 2024/2025 the fund is expected to return even a higher investment return resulting from investment decisions being undertaken by the Fund.

Committee Observations

The Committee noted that;

i. The Fund outsourced the process of Investment to Fund managers who have a discretionary investment mandate.

ii. The purchase and sale of government treasury bonds in the secondary market are subject to market forces, including prevailing interest rates, demand and supply dynamics.

iii. The Investment decisions made by the Fund during the financial year 2023/2024 resulted into better performance resulting in an investment return of 12%

Committee Recommendations

The committee recommended that;

The Committee upholds the recommendation made in paragraph 252 on Investments.

9 Investment Property

301. The statement of net assets available for benefits as disclosed in Note 24 to the financial statements reflects an investment property balance of Kshs. 35,389,483,481. The following inconsistencies were, however, noted: -

9.1 Irregular Operations at Kisumu Investment Property

302. Included in the investment property balance is Kisumu Estate Land of Kshs. 220,000,000. Kisumu Municipal Council owed NSSF statutory deductions amounting to Kshs 228,769. 145 as at 6 October 2011, for which the Council paid Kshs. 69,500,000, leaving a balance of Kshs.

159,269,145. During the Fund Board of Trustees meeting on 16 December 2011, a debt swap was approved with the defunct Council, which was subsequently adopted by the full Council in their meeting of 19 December 2011. As previously reported, there have been some interferences from the County Government of Kisumu. Further, physical verification carried out revealed there was an Occupant on the land operating a garage. However, tenancy agreements for the occupancy were not provided for audit review contrary to Section 51(1) of National Social Security Fund Act, 2013 which states that the Board of Trustees shall cause to be kept all proper books of account and other books and records in relation to the Fund and to all the undertakings, funds, investments, activities and property of the Fund as the Board of Trustees may deem necessary.

303. In the circumstances, Management was in breach of the law while beneficial ownership of the property could not be confirmed.

Management response

304. Management acknowledges the audit observation. This is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year audit report.

305. The Fund has in its custody ownership documents for the property and pays land rates to Kisumu County. The Fund has plans to develop the property and has commenced the process of procuring a contractor to develop the property.

Committee Observations and Recommendations

The Committee observed that the issue on Kisumu Investment Property was deliberated in its Report for the financial year ending 30th June, 2023 and upholds the observations and recommendations therein.

9.2 Idle Properties in Nairobi Central Business District.

306. The Committee heard that the balance includes the value of five (5) properties located at Nairobi Central Business District valued at Kshs. 4,022,000,000 as at 30 June 2024, which remained idle during the year under review. This was contrary to Section 1.5.2 of the Fund Investment Policy statement, 2020, which states that the Board had adopted the Investment

Policy Statement to ensure that assets are structured and invested in a prudent manner at all times.

307. In the circumstances, Management was in breach of the law while beneficial ownership of the properties could not be confirmed.

Management response

308. The Committee was informed that the parcel of land has been used as a car park in the past to generate additional returns. However, the immediate past operator of the carpark went to court severally blocking the Fund from procuring a new operator for the site.

The stalemate has since been unlocked and the Fund is in the process of sourcing an engineering, procurement, construction and financing contractor to develop the property.

Committee Observations

The Committee observed that the Fund has five (5) properties located at Nairobi Central Business District valued at Kshs. 4,022,000,000 that remained idle during the year under review. However, although land value appreciates with time, the idle property might attract grabbers, and the public was not getting value for money with respect to the revenue that would accrue from the property had the Fund utilised it.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer-NSSF should take stock of its properties, prepare a report, and submit it to the national Assembly and Auditor-General for audit review and reporting in the subsequent audit cycle. The report should give details of the property, size, location, any encumbrances, investments set up in the property, documented evidence of planned utilization of idle land, land rates paid over the years and if there are third parties claiming ownership.

8 Property, Plant and Equipment

309. The Committee heard that the statement of assets available for benefit and as disclosed in Note 25 to the financial statement reflects a property, plant and equipment balance of Kshs. 433,365,273. The following unsatisfactory matters were, however, noted: -

10.1 Management Failure to Dispose Obsolete

310. The Committee heard that assets review of the 2023/2024 annual procurement plan and annual operating plan revealed the Fund holds obsolete property, plant and equipment with a reserve price of Kshs.5,843,000 which were earmarked for disposal and a disposal committee constituted but the disposal was not done contrary to Regulation 180(1) of Public Procurement and Asset Disposal Regulation, 2020 provides that an Accounting Officer shall be primarily responsible for ensuring that the procuring entity fulfils its asset disposal obligations

Management response

311. The Committee was informed that the Fund acknowledges the observation regarding the disposal of obsolete property, plant, and equipment, valued at Ksh. 5,843,000, as earmarked in the 2023/2024 annual procurement and operating plans.

312. The disposal plan under the FY 2024/2025 framework has since been approved and the Fund has initiated the disposal process in full compliance with the Public Procurement and Asset Disposal Act, 2020. The Fund has further written to PPRA for guidance on the use of licensed agents.

Committee Observations

The Committee noted that the Fund held obsolete property, plant and equipment with a reserve price of Kshs.5,843,000. However, despite earmarking them for disposal and a disposal committee constituted, the disposal was not done, subjecting the property to further deterioration, occasioning undetermined loss to the Fund. This was in breach of Regulation 180(1) of the Public Procurement and Asset Disposal Regulation, 2020.

Committee Recommendations

Within three months of the adoption of this report, the Fund should initiate the disposal process in accordance with the laws pertaining to the process of disposal for the respective assets.

10.2 Procedural Procurement of Furniture

10.2.1 Procedural Procurement of Desktop Reception

313. Included in the property, plant, and equipment balance are furniture additions of Kshs. 36,340,392, which included Kshs. 2,080,000 paid for quotation number NSSF/RFQ-44/2023-2024. The procurement related to the supply of a reception desk was awarded to a supplier at a quoted sum of Kshs. 2,080,000. However, review of the quotation opening minutes revealed that the quotation were opened and evaluated by the same committee on 5th December, 2023 and there were no quotation evaluation minutes provided for audit review which contravenes Section 78 (1) of the Public Procurement and Asset Disposal Act 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the following requirements and such other requirements as may be prescribed which includes a requirement that the committee shall have at least three members and at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

Management response

314. The Committee was informed that the management acknowledges that during the year under review, there was a procedural lapse in having a combined committee for both opening and evaluation of quotations. Corrective measures have been taken by appointing separate committees for the opening and evaluation of quotations or tenders. A sample of an ad hoc committee appointed during the current financial year is attached.

Committee Observations

The Committee noted that the Fund purchased a reception desk for an amount of Kshs . 2,080,000. However, the tenders were opened and evaluated by the same committee which is contrary Section 78 (1) of the Public Procurement and Asset Disposal Act CAP 412C which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the following requirements and such other requirements as may be prescribed which includes a requirement that the committee shall have at least three members and at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

Committee Recommendations

The Committee reprimands the then Accounting Officer and the then head of procurement for contravening Section 78 (1) of the Public Procurement and Asset Disposal Act CAP 412C.

10.2.2 Procedural Procurement of 8 Bay Bulk Filer

315. The Committee was informed that, included in the furniture additions balance of Kshs. 36,340,392 is Kshs. 1,046,777 relating to quotation number NSSF/RFQ-79/2023-2024, paid to a supplier for the supply of one 8-bay bulk Filer. Review of the procurement documents revealed that, as per the quotation analysis Sheet, the committee recommended the tender be awarded to the lowest bidder who had quoted an amount of Kshs. 980,000. However, audit review of the LPO revealed that the tender was irregularly awarded to the highest evaluated bidder at a quoted sum of Kshs.1,046,777 which contravenes Section 106 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that the successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations. Further, evaluation of the procurement documents revealed that the quotation were opened and evaluated by the same committee on 7 February, 2024 and there were no quotation evaluation minutes provided for audit review which contravenes Section 78 (1) of the Public Procurement and Asset Disposal Act 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement in accordance with the following requirements and such other requirements as may be prescribed which include a requirement that the committee shall have at least three members and at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

Management response

316. The Committee was informed that the management acknowledges that during the year under review, there was a procedural lapse in having a combined committee for both opening and evaluation of quotations. Corrective measures have been taken by appointing separate committees for the opening and evaluation of quotations or tenders. A sample of an ad hoc committee appointed during the current financial year is attached.

Committee Observations

The Committee noted that the Fund purchased 8 Bay Bulk Filers at a cost of Kshs. 1,046,777 while the evaluated lowest bidder had quoted a price of Kshs.980,000 resulting in a loss of Kshs. 66,700 in contravention of Section 106 (3) of the Public Procurement and Asset Disposal Act, 2015. Further, the tenders were opened and evaluated by the same committee, which is contrary to Section 78 (1) of the Public Procurement and Asset Disposal Act, CAP 412C

Committee Recommendations

The Committee reprimands the then Accounting Officer and Head of procurement for contravening Sections 106 (3) and 78 (1) of the Public Procurement and Asset Disposal Act CAP 412C

10.2.3 Procedural Procurement of 4 Bay Bulk Filers

317. The Committee heard that, included in the additions for furniture balance of Kshs. 36,340,392 is an amount of Kshs. 1,572,876 for quotation number NSSFIRFQ-7912023-2024 for the supply of three 4-bay bulk filers awarded to a supplier at a quoted sum of Kshs.524,292 each. However, evaluation of the procurement documents revealed that the quotation was opened and evaluated by the same committee on 7th February 2024 and there were no quotation evaluation minutes provided for audit review which contravenes Section 78 (1) of the Public Procurement and Asset Disposal Act 2015 which states that an Accounting Officer of a procuring entity shall appoint a tender opening committee specifically for the procurement and the committee shall have at least three members and at least one of the members shall not be directly involved in the processing or evaluation of the tenders.

318. In addition, a review of quotations analysis revealed that the evaluation committee recommended award of the contract to the lowest bidder at a cost of Kshs 520. 000 per item, totalling Kshs. 1,560,000 for the three items. However, the tender was irregularly awarded to the highest bidder at a quoted amount of Kshs.524,292 for each item totalling to Kshs.1,572,8776 which contravenes Section 106 (3) of the Public Procurement and Asset Disposal Act 2015 which states that the successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations. Although the management's response to the management letter indicates that a physical visit to furniture

stores of all bidders revealed that furniture from the lowest bidder was of low quality, no evidence, such as photos or reports from any of the procurement committees, was provided to support this claim.

319. In the circumstances, Management was in breach of the law.

Management response

320. The Committee was informed that, Physical visit to the furniture stores for all the bidders who had submitted their bids noted that the quality of the furniture quoted by the lowest bidder, Ms. Milos Venture at a cost Kshs.520,000 per item totalling to Kshs.1,560,000 for the three items were low hence decision was made to award the tender to Ms. Kenrahmah Company Limited at a quoted amount of Kshs. 524,292, and whose furniture quality was high.

Committee Observations

The Committee noted that the Fund purchased three 4-Bay Bulk Filers at a total cost of Kshs. 1,572,876 while the evaluated lowest bidder had quoted a price of Kshs. 1,560,000 resulting in a loss of Kshs. 12,876 in contravention of Section 106 (3) of the Public Procurement and Asset Disposal Act, 2015. Further, the tenders were opened and evaluated by the same committee, which is contrary to Section 78 (1) of the Public Procurement and Asset Disposal Act CAP 412C.

Committee Recommendations

The Committee reprimands the then Accounting Officer and Head of procurement for contravening Sections 106 (3) and 78 (1) of the Public Procurement and Asset Disposal Act CAP 412C

9 Delayed Construction of Boundary Wall at Plot in Bamburi

321. The Committee heard that the statement of net assets available for benefits, as disclosed in Note 27 to the financial statements, reflects assets under construction, a balance of Kshs. 128,016,172, which includes the construction of a boundary wall of a plot in Bamburi of Kshs. 10,152,732. As previously reported, the construction of a boundary wall of a plot in Bamburi

was awarded at a contract price of Kshs. 16,563,900 which was to be completed within eight (8) weeks from 12 March 2017. The works were suspended due to encroachment by a water pipeline on the land and underground cables passing through the land, an indication that the Fund had not conducted a survey before contract award. The suspension was lifted on 21st March, 2018, but the contractor was unable to complete the work, leading to contract termination after 81% of the works had been completed.

322. Fund entered into a new contract with another contractor on 28 September 2020 for completion of the remaining works at a contract price of Kshs.6,233, 094 which was to be completed within eight (8) weeks. However, as of the time of the audit in September, 2024, the construction of the wall had not been completed, seven years after the expected completion period, contrary to Section 9 of the contract document which WS the procuring entity to terminate the agreement in writing if the contractor fails to form any other obligation under the agreement.

323. Further, Management did not provide for audit verification any site inspection reports, meeting minutes between the Contractor, the Fund's Management, and the Project manager, or the project status report as at 30th June, 2024. The value for money spent on the boundary wall could not be confirmed.

Management Response

324. The Committee was informed that the management acknowledges the audit observation. This is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year audit report.

325. Management is awaiting completion of the upgrading of the Mombasa/Malindi Highway, which impacted the area with an interchange under construction at the site, to resume construction and finalisation of the boundary wall of the Bamburi parcel.

Committee Observations and Recommendations

The Committee observed that the issue on the Delayed Construction of the Boundary Wall at the Plot in Bamburi was deliberated in its Report for the financial year ending 30th June, 2023, and upholds the observations and recommendations therein.

8 Staff Mortgage and Loans

326. The statement of net assets available for benefit and as disclosed in Notes 29 and 30 to the financial statements reflects staff mortgage scheme deposits and staff loans of Kshs. 1,304,830,014 and Kshs.158,331,610 respectively. The following unsatisfactorily matters were, however, noted: -

12.1 Non-Preparation and Submission of Financial Statements for Staff Mortgage Scheme and Staff Car Loan.

327. The Committee heard that financial statements for the Staff Mortgage Scheme and Staff Car Loan have not been prepared and submitted to the Auditor General for audit contrary to Section 84(1) and (3) of Public Finance Management Act, 2012 which states that The administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board and Not later than three months after the end of each financial year, the administrator of a national public fund shall submit the financial statements prepared under this section to the Auditor-General.

Management Response

328. Management previously understood that the Fund's financial statements, which included staff mortgages, provided for audit, were sufficient. However, following clarification, the Fund has commenced preparation of separate financial statements for both schemes in compliance with the Act, and this will form part of the 2024/2025 financial year audit schedules.

Committee Observations

The Committee observed that, the institute did not submit for audit the financial statement for the year ending 30th June, 2024 thereby contravening Section 24(10) of Public Finance Management Act CAP 412Awhich requires an Accounting Officer to submit the entity's financial statements for audit not later than three months after end of each financial year.

Committee Recommendations

The Committee recommends that,

Within three months upon adoption of this report, the Fund prepares financial statements for the year ending 30th June, 2024 and submits them to the Auditor-General for audit.

Subsequently, the Auditor-General shall audit in the subsequent audit cycle and submit a report to the National Assembly.

12.2 Maintenance of Separate Staff Mortgage and Car Loan Accounts

329. Included in Note 29 is the staff mortgage scheme deposit of Kshs. 1,304,830,014 and included in Note 30 on the staff loans balance of Ksh. 158,331,610, which includes car loans of Kshs. 153,421,544. Further, Note 31 on receivables and prepayments discloses staff receivables of Kshs. 43,216,478, which further includes car loan debtors and mortgage loan debtors of Kshs. 15,181,924 and Kshs.6,917,601 respectively. However, no recovery was made on mortgage loan debtors and other staff loans balance of Kshs. 6,917,601 which remained unchanged as at both 30 June, 2024 and 30 June, 2023. Despite the sufficient bank balances of Kshs.501,631,893 held in three banks for the staff mortgage and car loan scheme funds, it was not clear why staff were provided loans for mortgage and car purchase from the other NSSF operations. This is contrary to Regulation 54(1) of Public Finance Management (National Government) Regulations, 2015 which states that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

Management Response

330. The observation of the unchanged balance of Kshs 6,917,601 regarding mortgage loans is acknowledged. The figure is undergoing reconciliation, and out of it, Kshs 1,392,594 is subject to a court case, leaving a balance of Kshs 5,579,006. The management intends to close this by the end of June 2025.

331. Mortgages and car loans are advanced through bank accounts, which are funded and operate as revolving accounts. The interest earned is credited to the specific accounts. Therefore, there are no loans advanced from operations money. Sample statements for the Mortgage accounts are provided.

Committee Observations

The Committee observed that the Fund did not maintain a separate Staff Mortgage and Car Loan Account from the operations of the National Social Security Fund's main operations

Account. This was contrary to Regulation 54(1) of Public Finance Management (National Government) Regulations, 2015 which states that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

Committee Recommendations

The Committee recommends that,

Within three months upon adoption of this report, the Fund should separate the operations of the Staff Mortgage and Car Loan Accounts from the operations of the National Social Security Fund's main operations Account in accordance with Regulation 54(1) of the Public Finance Management (National Government) Regulations, 2015.

12.3 Operationalisation of Staff Mortgage and Car Loan Fund without Regulations

332.The Information provided for audit review revealed that the Fund Administrator has not developed appropriate regulations to guide the implementation of the car loan and mortgage schemes as required by the Salaries and Remuneration Commission circular reference No. SRC/ADM/CIR/1/13 VOL. III (128) of 17 December, 2014, and the loan policy provided, which includes staff mortgage and car loan among other forms of loans, does not indicate approved amounts.

Management Response

333.Review of the current Staff mortgage and car loan regulations is underway and will be finalised along with the revised mortgage scheme policy before the end of the current financial year.

Committee Observations

The Committee noted that the Staff Mortgage and Car Loan Fund was operating without the appropriate regulations to guide the implementation of the car loan and mortgage schemes as required by the Salaries and Remuneration Commission circular reference No. SRC/ADM/CIR/1/13 VOL. III (128) of 17 December 2014.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer to develop appropriate regulations to guide the implementation of the car loan and mortgage schemes as required by the Salaries and Remuneration Commission. The Regulations should be submitted to the National Assembly and the Auditor-General for review on compliance.

12.4 Lapsed Agreement with Mortgage Scheme Administrator

334. The Committee heard that Note 29 included long-term deposits held with a mortgage scheme administrator of Kshs. 668,762,970. However, the agreement with the mortgage scheme administrator was signed on 17th December, 2012, for an initial duration of five (5) years with an option to renew. However, after the lapse of the first term on 16th December, 2017, there was no evidence of renewal. This was contrary to Section 68 (2) of the Public Finance Management Act 2012, which requires that an Accounting Officer shall ensure that all contracts entered into by the entity are lawful and are complied with.

335. In the circumstances, Management was in breach of the law.

Management Response

336. Management has commenced the renewal of the agreements and will have this finalized before end of 2024/2025 financial year.

Committee Observations

The Committee observed that the agreement with the mortgage scheme administrator signed on 17th December, 2012 for a duration of five (5) years with an option to renew had lapsed on 16th December, 2017 with no evidence of renewal. This meant that the administrator was irregularly in the office as the substantive Fund administrator.

Committee Recommendations

The Committee reprimands the then Accounting Officer for retaining the administrator who was irregularly in the office as the substantive Fund administrator.

13.0 Receivables and Prepayments

337. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 31 to the financial statements reflects receivables and prepayments of Kshs. 8,191,311,181. The following unsatisfactory matters were, however, noted.

13.1 Unrecovered Long Outstanding Staff Receivables

338. The receivables and prepayments balance includes staff advances of Kshs. 43,216,478. However, no recovery was made on three staff receivables amounting to Kshs. 7,407,489, which includes mortgage loan debtors of Kshs.6.917,601, other staff loan debtors of Kshs. 434,749 and staff vehicle insurance advance of Kshs. 55,139, all of which were outstanding as at 30th June, 2023. This was contrary to Regulation 64(1) (a) and (b) of Public Finance Management (National Government) Regulation, 2015 which states that an Accounting Officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public moneys relating to their Ministries, departments or agencies and that adequate measures, including legal action where appropriate, are taken to obtain payment.

339. Further, Management did not explain why it had not recovered from the payroll of the affected staff for the long overdue staff receivables.

340. In the circumstances, Management was in breach of the law.

Management Response

341. The Committee was informed that the fund has a robust mechanism for collecting all amounts advanced to staff, including recovery from payroll. The 3 balances relate to legacy balances migrated from the old ERP to SAP, which are still under reconciliation.

342. Management has committed to finalising reconciliation on these balances with a view to finalising and taking appropriate action before the close of the current financial year.

Committee Observations

The Committee noted that;

i. Staff Receivables amounting to Kshs. 7,407,489 included mortgage loan debtors of Kshs.6.917,601, other staff loan debtors of Kshs. 434,749 and staff vehicle insurance advance of Kshs. 55,139, which have been outstanding as at 30th June, 2023. However, there was no evidence of recovery despite the management indicating that it has a robust mechanism of collecting all amounts advanced to staff, including recovery from payroll.

ii. The explanation given by the Fund management for non-recovery was invalid since the effect of migration from the old ERP to SAP do not hold.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer should prepare and submit a report to the National Assembly and the Auditor General on the status of the outstanding receivables in question, detailing the balances and how it has been recovered.

13.2 Long Outstanding Advance Payment on Stalled Embakasi Scheme Project

343. The Committee heard that the balance includes the deposits and prepayments balance of Ksh. 275, 193,480, which further includes advances and deposits to suppliers of Kshs.274,297, 180, which includes the deposit paid to a contractor of the Nyayo Estate Phase VI Construction Project, of the balance reflects Kshs. 215,883,806. However, the schedule provided Kshs. 215,883,806 differs from the balance reflected in the previous year's audit report of Kshs.215,540,774 resulting in a difference of Kshs. 343,032.

Further, as previously reported, the construction of 324 units at Nyayo Embakasi at a total cost of Kshs. 2,155,407,742 by a contractor had stalled. The construction works, which according to the contract signed on 21 February 2013 were to take seventy-eight (78) weeks from 2 June 2013 to 30 November 2014. Although Management explained that the project stalled due to a lack of approval for the change of user by the Nairobi City County Government, no evidence was provided for approval for construction by the County Government of Nairobi.

344. As at the time of audit in September, 2024, only forty-four (44) units had been constructed. Further, the work certified the total amount of Kshs. 274,675,066, and the contractor had been paid Kshs. 227,900,500 on top of the mobilisation fee of Kshs. 215,540,774. Management explained that the contractor had been requested to refund Kshs. 168,766,208, and that the Fund was exploring alternative dispute resolution mechanisms, but the supporting

correspondences were not provided. As at the time of the audit in September 2024, the Fund had not recovered the advance payment from the contractor of Kshs. 168,766,208.

In the circumstances, Management was in breach of the law and the recovery of the advance payment appears doubtful.

Management Response

345. The Committee was informed that the management acknowledges the audit observation. This is a prior year audit query, and the background has been comprehensively covered in the 2021/2022 financial year audit report.

The Fund is currently engaging the contractor and relevant approving authorities with a view to exploring possibilities of reviving the project and recovering the advance paid to the contractor.

Committee Observations and Recommendations

The Committee observed that the issue on Long Outstanding Advance Payment on Stalled Embakasi Scheme Project was deliberated in its 5th (PIC-SSAA) Report in respect of the financial year ending 30th June, 2021 and upholds the observations and recommendations therein.

13.3 Un-Surrender of Imprest

346. The Committee heard that, included in the balance, are staff advances of Kshs. 43,216,478, which further includes staff imprests of Kshs. 3,819,564 being amounts un surrendered by staff as at 30th June, 2024. Imprest amounting to Kshs. 1,149,000 had not been surrendered as at the time of the audit on 6th September, 2024. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which states that a holder of a temporary imprest shall account for or surrender the imprest within 7 working days after returning to the duty station.

347. In the circumstances, Management was in breach of the law.

Management Response

348. The Committee was informed that the management acknowledges the observation. Imprests were advanced to staff who were taking part in a Fund assignment that went past the financial year end, hence the inability to surrender before the close of the financial year. Management confirms that the imprest amounts have since been fully surrendered.

Committee observations

The Committee observed that the Accounting Officer was in breach of Section 71 of the Public Finance Management Act CAP 412A and the attendant regulations that require surrender of imprests within seven days upon conclusion of the assignment for which the said imprest was issued.

Committee recommendations

The Committee recommended that –

The Accounting Officers should ensure that imprest advanced to officers is surrendered within the stipulated period of seven (7) days after return to the work station in accordance with section 93 of the Public Finance Management (National Government) Regulations, 2015.

14. Operation of Irregular Custodial Bank Accounts

349. The Committee heard that the statement of net assets available for benefits, as disclosed in Note 32 to the financial statements, reflects cash and bank balances of Kshs. 2,200,390,732. Review of custodian bank statements revealed that the Fund has two bank accounts held in the name of a Company that was not one of the current contracted fund managers. It was also noted that the two bank accounts were active and had numerous transactions and had closing bank balances of in the year under review and Kshs.1,024,819 respectively as at 30 June, 2024.

Audit had revealed that the Company in whose name the custodian bank account was held, had traded with the Fund years ago; however, a name change took place, and a certificate of change of name was approved by the Registrar of Companies on 14 October 2015. It was not clear why the names of the two bank accounts had not been updated or closed, given that the Fund had several other bank accounts in the new business name, which is contrary to Section 66(1) of the Companies Act, 2015.The law Further, the Management of the Fund did not obtain the approval of The National Treasury to operate the two bank accounts contrary to Section 28(1) of Public Finance Management Act, 2012 which states that the National Treasury shall authorize the opening, operating and closing of bank accounts and sub accounts for all national government entities.

350. In the circumstances, Management was in breach of the law.

Management Response

351. The Committee was informed that the Management acknowledges the audit observation. The bank account is in the name of the NSSF Board of Trustees. The Custodial Bank accounts are usually assigned to a fund manager who is contracted by the Fund, and the accounts in question were assigned to Genesis (K) Investment Management Ltd in 2012. In 2015, Genesis Investment Management Ltd changed its name to GenAfrica Investment Management Ltd. The Omission was in respect of changing the custodial bank account's name to read the changed name of the assigned fund manager.

352. Management has since engaged the appointed custodians and changed the names of the two bank accounts to reflect the current names of the appointed fund manager-GenAfrica Investment Management Ltd.
The bank accounts in question were opened in the year 2011, before the Public Finance Management Act 2012 came into force.

Committee Observations

The Committee noted that;

i. The Fund did not obtain approval from the National Treasury to operate the two bank accounts contrary to Section 28(1) of the Public Finance Management Act, 2012, which states that the National Treasury shall authorise the opening, operating and closing of bank accounts and sub-accounts for all national government entities.

ii. The two bank accounts were active and had numerous transactions and had closing bank balances of in the year under review and Kshs. 1,024,819 respectively as at 30 June 2024.

Committee Recommendations

Within three months upon adoption of this report, the Accounting Officer should provide approval from the National Treasury to operate the two bank accounts, the cashbooks and the related documents of expenditure for the two bank accounts to the Auditor General for audit and reporting in the subsequent audit cycle.

15. Board of Trustees

15.1 Irregular Composition of the Board Committees

353. Review of the composition of the Board committees revealed that during the year under audit, two (2) Board Members served in three committees without approval by the Cabinet Secretary in consultation with the State Corporations Advisory Council. This was contrary to the Presidency; Executive Office of the President Head of Public Service Circular dated 11 March 2020, which states that board members can only sit in a maximum of two committees.

Management Response

354. The Committee was informed that the Board Committees were reconstituted during the 194th Board meeting held on 16th April 2024 to correct the anomaly. The only board members serving in more than three committees are Dr. Musa Nyandusi and Mr. Amos Cheptoo, who are alternates to the Permanent Secretary for Labour and Skills Development and the Permanent Secretary for National Treasury and Economic Planning, respectively.

Committee Observations

The Committee noted that two (2) Board Members who served in three committees did not have the requisite approval by the Cabinet Secretary contrary to The Presidency; Executive Office of the President Head of Public Service Circular of 11 March 2020.

Committee Recommendations

The Committee recommends that the Board must at all times comply with the governing laws, procedures, regulations, as well as the Mwongozo code of Governance.

15.2 Irregular Board Meetings

355. The Committee heard that the statement of changes in net assets available for benefit and as disclosed in Note 13 to the financial statements, reflects the administrative cost of Kshs. 6,950,213,769, which further includes Kshs. 68,782,807 for trustee's emoluments. However, review of supporting documents including trustees' minutes and corporate governance statement revealed NSSF Board of Trustees held fourteen (14) full board meetings and nine (9) Finance, Investments and Social Security committee meetings which exceeded the

maximum number of six meetings approved in Office of the President Circular Ref: OP/CAB.9/1A dated March 11, 2020. Further, the same circular states that approval for any extra board meetings (including special meetings) above the maximum number specified shall require that a change of a company's name has effect from the date on which the certificate of change of name is issued. a justification by the Board as to the source of funds, and implications thereof, and reasons why the same cannot be adjudicated in regular meetings, which request shall be submitted for approval by the relevant Cabinet Secretary, in consultation with the State Corporations Advisory Council (SCAC).

356. In the circumstances, Management was in breach of the law.

Management Response

357. The Committee was informed that the number of board meetings is guided by the Almanack, which was approved.

358. NSSF, during the period under review, had an existential threat occasioned by invalidation of its establishing statute (NSSF Act), necessitating several meetings between the Board and stakeholders to ensure that NSSF continues to discharge its mandate.

359. In addition, the Board undertook the recruitment process for GMs and Managers, all of which necessitated additional meetings beyond those approved in the Almanack during the financial year under review.

Committee observation

The Committee observed that the institute's Board had more than six (6) meetings without the approval of the Cabinet Secretary, contrary to Head of the Public Service Circular REF: OP/CAB.9/1A dated March 11, 2020, which capped the number of meetings to six (6).

Committee recommendations

The Accounting Officer should at all times comply with Head of the Public Service Circular REF: OP/CAB.9/1A dated March 11, 2020, which capped the number of Board meetings to six (6).

1. Delays in Allocating Client Payments

360. The Committee heard that the statement of net assets available for benefits and as disclosed in Note 31 to the financial statements, reflects net receivables and prepayments balance of Kshs. 8,191,311,181. The balance includes clearing balances of Kshs. 90,077,228. However, no explanation was provided for the delays in allocating the amounts into the relevant accounts. Clearing accounts pose the risk of unauthorised reallocation of client payments.

361. In the circumstances, the controls over the receipting of client payments are weak.

Management Response

362. The Committee was informed that the Fund acknowledges the observation regarding the clearing balances of KES 90,077,228. All transactions are being handled in line with standard accounting practices within the SAP ERP system.

363. The noted balance represents transactions that were still undergoing reconciliation, and allocations to the accounts are ongoing.

Committee Observations

The Committee observed that;

i. There was a delayed clearing of balances amounting to Kshs. 90,077,228 not allocated into the relevant accounts, which poses the risk of unauthorised reallocation of client payments

ii. Although the management had put in place an ERP system that had automated the accountability process of contributions, the problem of contributions in suspense still persists.

Committee Recommendation

The Committee recommends that –

i. Within six months upon adoption of this report, the Accounting Officer, National Social Security Fund to liaise with employers to identify the contributors/beneficiaries in order to bring the matter to its logical conclusion.

ii. As recommended in this report on the issue of contributions in suspense, the committee upholds the same; within three months upon adoption of this report, the

Accounting Officer should prepare a report on the Contributions in Suspense Account and submit it to the National Assembly and the Auditor-General for review. The report should include the modalities for ensuring contributions made are matched to the contributor and employer for all government entities or private companies, and the ledger showing the flow of the balances from the financial years 2015/2016 to the current balance. The Auditor-General should review the report and the flow of the balances and report in the subsequent audit cycle.

2. Lack of Account Receivables Management Policy

364. The Committee heard that the statement of net assets available for benefit reflects and, as disclosed in Note 31 to the financial statements, reflects receivables and prepayment of Kshs. 8,191,311,181. Further, Note 33 to the financial statements reflects total provisions on assets amounting to Kshs. 2,294,791,266, out of which provisions amounting to Kshs. 946,600,881 relate to doubtful accrued income and provision for doubtful debts. However, review of the Fund's internal control systems and records revealed that the Fund had not developed and approved an accounts receivable policy to guide the controls and management of the receivables. This was contrary to Regulation 43(1)(d) of Public Finance Management (National Government) Regulation, 2015, which states that an Accounting Officer shall manage, control, and ensure that policies are carried out efficiently and wastage of public funds is eliminated.

365. In the circumstances, the effectiveness of internal controls on the management of accounts receivable could not be confirmed.

Management Response

366. The Committee was informed that the management has developed a bad debt provision and write-off policy for accounts receivable management, which was approved on 19th December 2024.

Committee Observations

The Committee noted that the Fund had not developed and approved an accounts receivable policy to guide the controls and management of the receivables. The management has developed a bad debt provision and write-off policy, although the auditor has questioned the lack of an accounts receivable management policy, which takes care of credit period, credit limits, and actions that may be taken against defaulters, among others and goes beyond debt provisions and write-offs.

Committee Recommendations

The committee recommends that within three months upon adoption of this report, the Accounting Officer should develop and implement a comprehensive debt/accounts receivable policy that covers credit period, credit limits and actions that may be taken against defaulters, security or guarantees requirements and conditions. The approved policy should be submitted to the National Assembly and Auditor General for review and reporting in the subsequent Audit Cycle.

3. Long Outstanding Reconciliation Items, Goods and Invoice Receipts Clearing

367.The Committee heard that note 34 to the financial statements discloses the payables and accruals balance of Kshs. 2,027,774,170, which includes payable due to vendors of Kshs. 252,281,676, which further includes Goods Receipt (GR) and Invoice Receipt (IR) clearing account balances of Kshs. 82,490,511. However, the balances have been long outstanding, with some dating back to the 2012/2013 financial year. However, Management has not provided satisfactory explanations for the delay in clearing/settling the balances.

In the circumstances, the effectiveness of the internal controls over the goods and invoice receipts clearing process could not be confirmed.

Management Response

368.The Committee was informed that the management acknowledges the presence of the long-outstanding balances in GRIR ledgers; however, the Fund has made deliberate efforts to reconcile and resolve the items over the period. The 2012/2013 items remain open in the system because of a configuration issue that prevents clearance even with corresponding entries. The issue has been raised with the consultant, who has given a solution which is under consideration and is expected to be deployed by the end of the current financial year.

Committee Observations

The Committee noted that;

The Fund had long-outstanding Reconciliation items, Goods Receipt (GR) and Invoice Receipt (IR), clearing account balances amounting to Kshs. 82,490,511, which dates back to the 2012/2013 financial year. However, the management indicates that a configuration issue could not allow clearance even with corresponding entries; they had consulted with a system specialist, but could not be cleared either.

Committee Recommendations

The Committee recommends that;

Within three months upon adoption of this report, the Accounting Officer is to prepare and submit to the National Assembly and the Auditor-General a report with data as to who the payees were, how the payables arose, and the reconciliation process initiated. The Auditor-General should subject that data to audit and report in the subsequent audit cycle.

4. Incomplete Assets Register and Assets Tagging

369. The Committee heard that the statement of net assets available for benefit and as disclosed in Note 25 reflects a property, plant and equipment balance of Kshs. 433,365,273. However, most of the assets were not tagged with unique identifiers. Further, the assets register was not updated with details in respect to the person's responsible, the assets' location and current market values.

370. In the circumstances, the effectiveness of internal controls over assets management could not confirm.

Management Response

371. The Committee was informed that the Fund ensures that all acquired assets are tagged within three months from the date of procurement, in line with established internal procedures.

At the time of the audit, an asset tagging exercise was actively underway for newly acquired assets. Therefore, the assertion that "most assets are not tagged" does not accurately reflect the ongoing implementation process.

Committee Observations

The Committee noted that;

The Corporation did not update the fixed assets register contrary to Regulation 143(1) of the Public Finance Management - National Government Regulations 2015, which requires the Accounting Officer to be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Committee recommendations

Within three months upon adoption of this report, the Accounting Officer, should submit to the National Assembly and the Auditor-General the updated fixed asset register detailing all the assets of the company with the respective details that needs to be disclosed in the asset register in accordance with the disclosure requirements set by the National Treasury and the Accounting standards Board.

EXAMINATION OF THE AUDITOR'S GENERAL REPORT ON THE AUDITED ACCOUNTS OF THE NATIONAL CANCER INSTITUTE OF KENYA FOR THE FINANCIAL YEARS 2019/2020 TO 2023/2024

Dr. Elias Melly Ag.CEO of National Cancer Institute of Kenya was accompanied by Mr. Timothy Olweny (Chairperson - Board of Directors), Mr. Geoffrey Mutai (Principal Accountant) and Ms. Joan Ndirangu (Principal Finance Officer) appeared before the Committee to adduce evidence on the Audited Accounts of National Cancer Institute of Kenya for the Financial Years 2019/2020 to 2023/2024.

FINANCIAL YEAR 2019/2020

1. Unsupported Travelling and Subsistence

372. The Committee was informed that the statement of financial position reflects expenditure of Kshs. 20,057,084 in respect to the use of goods and services and as disclosed in Note 8 to the financial statements. Included in the amount is Kshs. 13,457,560 on subsistence and travel allowance, out of which expenditure revealed Kshs. 2,557,800 was not supported by payment

vouchers or any supporting documents. In the circumstances, the accuracy and completeness of travel and subsistence allowances of Kshs. 2,557,800 could not be confirmed.

Management response

373. The Committee was informed that management regrets this anomaly. The supporting vouchers have now been traced and provided for verification.

Committee Observations

The Committee noted that;

Although the management provided payment vouchers and supporting documents for the expenditure of Kshs. 2,557,800 during the time of appearance before the committee, they failed to provide the same to the auditors during the audit, therefore, contravening section 62 (1) (b)of Public Audit Act CAP 412B which states that a person shall not without justification, fail to provide information required under this Act.

Committee Recommendations

i. The Committee recommends that the management should always ensure adherence to section 62 of the Public Audit Act CAP 412 B.
ii. Within three months upon adoption of this report, the DPP to review the matter and, should it amount to an offence, take appropriate legal action in accordance with section 62 (2) of the Public Audit Act CAP 412 B.

2. Budgetary Control and Performance

374. The Committee heard that the statement of comparison of budget and actual amounts reflects the expenditure budget of Kshs. 41,891,585 and actual on a comparable basis of Kshs. 27,919,044 resulting in an under absorption of Kshs. 13,972,541 or 33% of the budget. The underabsorption affected the planned activities and may have negatively impacted service delivery to the stakeholders.

Management response.

375. The committee heard that, management acknowledged the variance between the budgeted expenditure of Kshs. 41,891,585 and the actual expenditure of Kshs. 27,919,044, resulting in an under-absorption of Kshs. 13,972,541 (33%).

The underutilization of funds was primarily due to the following factors:

1. **Delayed Disbursement of Funds** – Some funds were received later than anticipated, affecting the timely execution of planned activities.
2. **Procurement and Administrative Delays** – Certain procurement processes took longer than expected, leading to postponed expenditures.
3. **Cost Efficiencies and Adjustments** – Some planned expenditures were optimized, reducing actual costs.

Committee Observations

The Committee observed that the underutilization by Kshs. 13,972,541 derailed the realisation of the planned activities and public service delivery. The institute, therefore, based its projection of Revenue and expenditure on weak assumptions.

Committee Recommendations

The committee recommends that the Accounting Officer should ensure at all times that the budgets are realistic and achievable.

3. Late submission of 2019/2020 Financial Statements.

376. The Committee was informed that the financial statements of the National Cancer Institute of Kenya for the financial year ended 30th June, 2020, were submitted to the Auditor-General on 16th November,2021, fourteen months after the statutory deadline to submit 0f 30th September,2020.

Management Response.

377. The management informed the Committee that the delay in submission of statements was occasioned by a lack of a designated Accountant; the management highly regrets this breach. Subsequently, management has prepared all financial statements and submitted them to the

Office of the Auditor-General for audit. Further, management has recruited a substantive office holder.

Committee Observation

The Committee observed that, the financial statements for the year ending 30th June, 2020, were submitted to the office of the Auditor-General on 16th November,2021 contrary to the provisions of section 47(1) of the Public Audit Act, CAP 412B which requires the institute to submit the financial statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate to.

Committee Recommendation(s)

The Committee reprimands the then Accounting Officer for failure to comply with provisions of section 47(1) of the Public Audit Act, CAP 412 B.

4. Non-submission of 2018/2019 Financial Statements

378. The Committee heard that, the Institute's management did not prepare and submit financial statements for the year ended 30th June, 2019 contrary to Section 81(1) of Public Finance Management Act of 2012 which states that at the end of each financial year the Accounting Officer for a National government entity shall prepare financial statements in respect to the entity. Consequently, the Institute was in breach of the law. In the circumstances, Management is in breach of the Law.

Management Response.

379. The management informed the committee that non-submission of statements was occasioned by a lack of a designated Accountant; the management highly regrets this breach. Subsequently, management has prepared all financial statements and submitted them to the Office of the Auditor-General for audit. Further, management has recruited substantive office holders.

Committee Observations

The Committee observed that, the institute did not submit for audit the financial statement for the year ending 30th June, 2019 thereby contravening Section 81(4) of Public Finance Management Act CAP 412Awhich requires an Accounting Officer to submit the entity's financial statements for audit not later than three months after end of each financial year.

Committee Recommendations

i. The Committee recommends that, within three months upon adoption of this report, the institute prepare financial statements for the year ending 30th June, 2019, and submit them to the Auditor-General for audit. Subsequently, the Auditor-General to audit in the subsequent audit cycle and submit a report to the National Assembly.

ii. The Committee reprimands the then Accounting Officer for failing to adhere to Section 81(1) of the Public Finance Management Act of CAP 412 A.

5. Lack of Internal Audit Function and Audit Committee of the Board

380. The Committee heard that the Institute had not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 73 of the Public Finance Management Act, 2012, which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such, the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee. Consequently, the Bureau was in breach of law.

Management Response.

381. The committee was informed that, in the year under consideration, the institute did not have a deployed internal auditor, who was later deployed from the state department on 27th March 2023 and has been reviewing the statements and recommending ways of strengthening the Institute's internal control systems. Further, the audit committee was inaugurated on 21st March 2023.

Committee Observations

The Committee Observed as follows

The Committee observed that the Institute failed to establish an internal audit function and an Audit Committee of the Board as required under Section 73 of the Public Finance Management Act, CAP 412A. This breach of the law undermines the institute's ability to ensure effective internal controls.

Committee Recommendations

The Committee reprimands the then Accounting Officer and the then BOD for contravening Section 73 of the Public Finance Management Act, CAP 412 A.

6. Lack of risk management policy and strategy.

382. The Committee heard that Institute Management had not put in place a risk management policy, strategies, or a risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This was contrary to Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015, which requires the Accounting Officer to ensure that the national government entity develops risk management strategies.

Management Response.

383. The Management informed the committee that they deeply regret this nonconformance. The institute is in the process of developing a risk management policy and strategy.

Committee Observations

The Committee Observed that;

The Management had not developed or implemented risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations, which is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015.

Committee Recommendation

i. The Committee reprimands the Accounting Officer for failing to adhere to the provisions of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015.

ii. Within three months upon adoption of this report, the Accounting Officer to develop, have it approved, and implement a risk management policy and strategy. The Accounting Officer should submit a copy within the same timelines to the National Assembly and the Auditor-General for review and reporting in the subsequent audit cycle.

7. Deficiencies in the performance of functions under the law.

384. The Committee was informed that the National Cancer Institute of Kenya was established by the Cancer Prevention and Control Act,2012, to coordinate and centralise all activities, resources, and information related to cancer prevention and control in Kenya. However, the institute is not fully operational, and the following deficiencies were noted;

i. The institute was mandated to encourage and secure the establishment of hospitals, vocational treatment and care centers, and other institutions for the welfare, treatment of persons with cancer in all counties. However, the institute had managed to roll out the cancer notification Tool to twenty-one (21) facilities located in only thirteen (13) out of the forty-seven counties in the country. Implying that the remaining thirty-four (34) counties cannot utilize the tool.

ii. The institute was mandated to coordinate services provided in Kenya for the welfare and treatment of persons with cancer and to implement programs for vocational guidance and counselling. However, the institute did not conduct any programs geared towards vocational guidance and counselling to cancer patients.

iii. The institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards for safety and care for persons using such materials. However, the institute did not conduct any programs geared towards vocational guidance and counselling to cancer patients.

iv. The institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards for safety and care for persons using such materials. However, the institute did not report any such initiative undertaken within the year of audit.

v. The institute was mandated to encourage and secure the care of persons with cancer within their communities and social environment. However, the institute had no indication of such initiatives.

Management response;

The management informed the Committee that, the deficiency was occasioned by human resource gaps at the Institute, in June 2024 the institute recruited staff who have undertaken cancer advocacy campaigns, capacity building training aimed at enhancing cancer knowledge among different cadres in the health sector, cancer screenings and treatment initiatives across different counties in Kenya, commemoration of different cancer days, offered technical assistance to county governments on diagnosis of cancer cases and participated in the review of several guidelines associated with management of cancer. These activities were all in alignment with the institute's Annual Work Plan and Performance Contract for the FY 2024-2025.

Committee Observations

The Committee observed that the institute failed to coordinate and decentralise all activities, resources, and information related to cancer prevention and control in Kenya as stipulated in the enabling Act, Cancer Prevention and Control Act, 2012, implying that the institute has not been fully operational.

Committee recommendation

The Committee recommends that, within three months upon adoption of this report, the institute furnish the PIC-SSAA with a status report on implementation of the deficiencies.

FINANCIAL YEAR 2020/2021

1. Unsupported expenditure

385. The Committee heard that the statement of financial performance reflects the use of goods and services of Kshs. 51,403,828.55 as disclosed in Notes 7 to the financial statements. The amount includes printing and stationery of Kshs.2,305,750 out of which Kshs. 755,760 was not supported by quotations and evaluation reports. Also, use of goods and services includes travelling, accommodation, subsistence and other allowances of Kshs. 13,055,560 out of which Kshs. 3,081,290 lacked procurement support documents of quotation and evaluation reports.

386. In the circumstances, the accuracy and completeness of the expenditure of Kshs. 3,837,050 in respect of the use of goods and services could not be confirmed.

Management response.

387. Management informed the committee that this was a result of oversight and management has taken note and commits to furnishing comprehensive information to auditors in good time. The supporting documents for this, including request for quotation documents, evaluation analysis, professional opinion and store receipt, are hereby attached.

Committee Observations

The Committee noted that;

Although the management provided quotations and evaluation reports for the total expenditure of Kshs.3,837,050 for Printing, stationery, travelling, accommodation, subsistence and other allowances amounting during the time of appearance before the committee, they failed to provide the same to the auditors during the audit, therefore, contravening section 62 (1) (b)of Public Audit Act CAP 412B which states that a person shall not without justification, fail to provide information required under this Act. The management was also in breach of section 80(4) of the Public Procurement and Asset Disposal Act, CAP 412C.

Committee Recommendations

i. The Committee recommends that, the management to always ensure adherence to section 62 of the Public Audit Act CAP 412B and section 80(4) of the Public Procurement and Asset Disposal Act CAP 412C.

ii. Within three months upon adoption of this report, the DPP to review the matter and should it amount to an offence take appropriate legal action in accordance with the section 62 (2) of the Public Audit Act CAP 412B.

2. Budgetary Control and Performance

388. The Committee heard that the statement of comparison of budget and actual amounts reflects expenditure budgets of Kshs 81,500,000 and actual on a comparable basis of Kshs 60,170,549 resulting to an under absorption of Kshs 21,329,541 (or 26%) of the budget The under absorption affected the planned activities and may have negatively impacted on service delivery to stakeholders.

Management response

389. Management informed the Committee that, under absorption was occasioned late disbursement of funds and most activities were affected by the Covid-19 movement restrictions. Management has put in place measures to ensure all funds are absorbed, and the institute has achieved its core mandate.

Committee Observations

The Committee observed that the underutilization by Kshs. Kshs 21,329,541 derailed the realization of the planned activities and public service delivery. The institute, therefore, based its projection of Revenue and expenditure on weak assumptions.

Committee Recommendations

The committee recommends that the Accounting Officer should ensure at all times the budgets are realistic, achievable.

4. Late submission of 2019/2020 Financial Statements.

390. The Committee heard that the financial statements for the year ended 30 June, 2021 were submitted to the Auditor-General on 16 November, 2021, one and a half months after the statutory deadline to submit of 30 September, 2021. This was contrary to Section 47 (1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012, and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. Consequently, Management was in breach of the law.

Management Response

391. The Committee was informed that the delay in submission of statements was occasioned by the lack of a designated Accountant. the management highly regrets this breach. subsequently, management has prepared all financial statements and submitted them to the Office of the Auditor-General for audit. Further, management has recruited substantive office holders.

Committee observations and recommendations

The committee had deliberated on the issue of late submission of financial statements in its report for the FY 2019/2020, and upholds the observation and makes the recommendations made therein.

4. Non-submission of 2018/2019 Financial Statements

392. The Committee heard that, as previously reported, the Institute Management did not prepare and submit financial statements for the year ended 30 June, 2019, this was contrary to section 81 (1) of the Public Finance Management Act, 2012 which states that at the end of each financial year, the Accounting Officer for a national government entity shall prepare financial statements in respect of the entity.

Management Response

393. Management informed the Committee that, the non-submission of statements was occasioned by lack of a designated Accountant, the management highly regrets this breach, subsequently, and management has prepared all financial statements and submitted to the Office of the Auditor-General for audit. Further, management has recruited substantive office holders.

Committee observations and recommendations

The committee had deliberated on the issue of Non-submission of 2018/2019 Financial Statements in its report for the FY 2019/2020, and upholds the observation and made recommendations made therein.

5. Lack of Internal Audit Function and Audit Committee of the Board

394. The Committee heard that, the Institute has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 73 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee. Consequently, the Bureau was in breach of law.

Management Response.

395. The Committee was informed that, as at the year under consideration, the institute did not have a deployed internal auditor, later deployed from the state department on 27th March 2023 and has been reviewing the statements and recommending ways of strengthening the Institute's internal control systems. Further, the audit committee was inaugurated on 21st March 2023.

Committee observations and recommendations

The committee had deliberated on the issue of the Lack of Internal Audit Function and Audit Committee of the Board in its report for the FY 2019/2020, and upholds the observation and made recommendations therein.

6. Lack of risk management policy and strategy.

396. The Committee heard that the Institute Management had not put in place a risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This was contrary to Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015, which requires the Accounting Officer to ensure that the national government entity develops risk management strategies.

Management Response.

397. The Committee was informed that the management deeply regrets this nonconformance. The institute is in the process of developing a risk management policy and strategy

Committee observations and recommendations

The committee had deliberated on the issue of Lack of risk management policy and strategy in its report for the FY 2019/2020, and upholds the observation and makes recommendations made therein.

7. Deficiencies in the performance of functions under the law.

398. The Committee heard that the National Cancer Institute of Kenya was established by the Cancer Prevention and Control Act 2012, to coordinate and centralise all activities, resources, and information related to cancer prevention and control in Kenya. However, the institute is not fully operational, and the following deficiencies were noted;

i. The institute was mandated to encourage and secure the establishment of hospitals, vocational treatment and care centres, and other institutions for the welfare, treatment of persons with cancer in all counties. However, the institute had managed to roll out the cancer notification Tool to twenty-one (21) facilities located in only thirteen (13) out of the forty-seven counties in the country. Implying that the remaining thirty-four (34) counties cannot utilise the tool.
ii. The institute was mandated to coordinate services provided in Kenya for the welfare and treatment of persons with cancer and to implement programs for vocational guidance and counselling. However, the institute did not conduct any programs geared towards vocational guidance and counselling to cancer patients.
iii. The institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards for safety and care for persons using such materials. However, the institute did not conduct any programs geared towards vocational guidance and counselling for cancer patients.
iv. The institute was mandated to establish and support the large-scale production or distribution of specialized biological materials and other therapeutic substances for research and set standards for safety and care for persons using such materials. However, the institute did not report any such initiative undertaken within the year of the audit.
v. The institute was mandated to encourage and secure the care of persons with cancer within their communities and social environment. However, the institute had no indication of such initiatives.

Committee observations and recommendations

The committee had deliberated on the issue of Deficiencies in performance of functions under the law in its report for the FY 2019/2020, and upholds the observation and made recommendations therein.

FINANCIAL YEAR 2021/2022

1. Unsupported training expense

The Committee heard that the statement of financial performance reflects the use of goods and services amounting to Kshs. 159,053,688, which, as disclosed in Note 8 to the financial statements, includes training expenses amounting to Kshs. 24,408,920 out of which Kshs. 1,571,400 was not supported by supplier quotations. Evaluation reports and attendance register. In addition, the amount of Kshs. 159,053,688 under the use of goods and services also includes Kshs. 53,288,769 incurred on travelling, accommodation, subsistence and other allowances, out of which Kshs 1,167,500 lacked travelling support.

In the circumstances, the accuracy, completeness and propriety of the use of goods and services amounting to Kshs. 2,738,900 could not be confirmed.

Management response.

399. The management informed the Committee that the supporting documents could not be traced at the time due to challenges of filling record keeping since most of the activities were done from the state department. However, these are attached for verification. Subsequently, Management has streamlined its record keeping to ensure that every accounting document is available on asking.

Committee Observations

The Committee noted that;

Although the management provided supporting documents for the training expenses and subsistence allowances of Kshs. 1,571,400 and Kshs 1,167,500 respectively during the time of appearance before the committee, they failed to provide the same to the auditors during the audit, therefore, contravening section 62 (1) (b)of Public Audit Act CAP 412B which states that a person shall not without justification, fail to provide information required under this Act. The management was also in breach of section 80(4) of the Public Procurement and Asset Disposal Act CAP 412C.

Committee Recommendations

i. The Committee recommends that the management to always ensure adherence to section 62 of the Public Audit Act CAP 412B and section 80(4) of the Public Procurement and Asset Disposal Act CAP 412C.

ii. Within three months upon adoption of this report, the DPP to review the matter and, should it amount to an offence, take appropriate legal action in accordance with section 62 (2) of the Public Audit Act CAP 412 B.

2. Failure to update the Asset Register

400. The Committee heard that the statement of financial position reflects a property, plant, and equipment balance of Kshs.10,634,744, which, as disclosed in Note 12 to the financial statements, includes additions during the year of Kshs. 8,332,471. However, as at 30 June 2022, the fixed asset register had not been updated with the details of the additions relating to: nature or type of asset, date of purchase, supplier, cost, location, user, accumulated depreciation and net book value. This was contrary to Regulation 143(1) of the Public Finance Management.

Management response.

401. The committee was informed that it is true that the fixed assets register was not complete as at the time of the audit. The Institute has identified all the assets, and an updated Fixed Assets Register has been provided for verification.

Committee Observations

The Committee Observed as follows

i. Property, Plant and Equipment amounting to Kshs. 8,332,471 acquired during the year under review had not been incorporated in the fixed Asset Register contrary to Section 143 (1) and (2) of Public Management Regulations (National Government) 2015, which requires that;

   a. The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

   b. The register of land and buildings shall record each parcel of land

and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details.

Although the institute updated its asset register to incorporate the additions that lapse puts the Institute at a risk of losing part of its assets.

Committee Recommendation

The Committee reprimands the then Accounting Officer for contravening Regulation 143 (1) and (2) of Public Management Regulations (National Government) 2015.

3. Lack of Internal Audit Function and Audit Committee of the Board

402. The Committee heard that the Institute was established by the Cancer Prevention and Control Act (No. 15 of 2012) to coordinate and centralise all activities, resources and information related to cancer prevention and control in Kenya. However, during the year under review, the Institute did not have an Audit Committee as required by Regulation 166(2) of the Public Finance Management (National Government) Regulations, 2015. The Institute also did not have in place an Internal Audit Unit as required by Regulation 166(1) of the Public Finance Management (National Government) Regulations, 2015. In the circumstances, effective internal controls, risk management and governance could not be confirmed.

Management Response.

403. Management informed the Committee that, in the year under consideration, the institute did not have a deployed internal auditor, later deployed from the state department on 27th March 2023 and has been reviewing the statements and recommending ways of strengthening the Institute's internal control systems. Further, the audit committee was inaugurated on 21st March 2023.

Committee Observations and Recommendations

The Committee observed that the issue on the Lack of Internal Audit Function and Audit Committee of the Board was deliberated in its Report for the financial year ending 30th June, 2022, and upholds the observations and recommendations therein.

FINANCIAL YEAR 2022/2023

1. Inaccuracies in the Financial Statements

1.1. Anomalies in the Financial Statements

404. The Committee was informed that the financial statements submitted for audit contained the following anomalies;

i. Page ii and ix erroneously refer to the board of directors/council instead of the Board of Trustees as per Section 6(1) of the Cancer Prevention and Control Act, 2012;

ii. The chairman's statement on page xvi, report of the directors on page xxvii and implementation status of Auditor-General's recommendation on page 31 are not signed and dated; and,

iii. Page number 22 is repeated, hence distorting the entire page numbering.

405. In the circumstances, the financial statements presented for audit did not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

Management response.

406. Management informed the Committee that management agreed with the auditor's observation and concurred that the Institute is under the Board of Trustees; this has been corrected in the subsequent annual reports.

407. We acknowledge the auditor's observation regarding the Chairman's statement not being signed. This was an oversight; however, the signed final financial statement has been attached for verification. The anomaly was noted, and an amendment was made in the final financial statement

Committee Observations

The Committee noted that,

i. Some pages referred to the Board of Directors/council instead of Board of Trustees as per Section 6(1) of the Cancer Prevention and Control Act, 2012; Further, the chairman's statement, report of directors, and implementation status of the Auditor-General's report were not signed. In addition, page 22 was repeated, distorting the pagination of the financial statement. These anomalies imply that the financial statements presented for audit did not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

ii. That management's claim that they amended the financial statement is misleading since this was done after the Auditor-General had issued the audit report.

Committee recommendations

The Committee reprimands the then Accounting Officer for failure to comply with the guidelines outlined by the Public Sector Accounting Standards Board in accordance with section 81(3) of the PFM Act CAP 412A.

1.2 Arithmetical Errors in the Statement of Comparison of Budget and Actual Amounts

408. The Committee heard that, the statement of comparison of budget and actual amounts reflects actual on comparable basis receipts of Kshs.275,745,801 while recasting revealed Kshs.275,542,897 resulting to unexplained variance of Kshs.202,904. In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

Management response.

409. The Committee was informed that the anomaly is acknowledged and is regrettable; however, it does not affect the entire financial statement.

Committee Observations

The Committee observed that:

i. There was a casting error resulting to unexplained variance of Kshs. 202,904.

ii. The error could not be corrected later since Budgetary comparative information is not disclosed in the subsequent financial statements, has no cumulative effect, and thus is self-resolving.

Committee recommendations

The Committee recommends that the Accounting Officer should always ensure accuracy when preparing financial statements.

2. Unsupported Expenses

410.The Committee heard that the financial statements submitted for audit under Note 9 reflect the use of goods and services of Kshs. 163,526,082. However, seven (7) components with a total amount of Kshs. 161,775,258 had their schedules reflecting Kshs. 128,355,123 resulting in an unexplained variance of Kshs. 33,420,135. In the circumstances, the accuracy and completeness of the respective expenditure amounts could not be confirmed.

Management response.

411.Management informed the committee that, as per the schedules [provided during the audit were 161,775,258, the same supporting schedules have been provided for verification; hence, there is no unexplained variance of ksh. 33,420,135.

Committee Observations

The Committee noted that;

i. Although audit is a process, the management did not provide the auditors with accurate schedules during the time of audit and thus contravened section 62 (1) (b) of Public Audit Act which states that a person shall not without justification, fail to provide information required under this Act.

ii. Management claim that the documents submitted before the committee were similar to those provided to the auditors during the audit do not stand as authentic since the management disputes the report of the Auditor-General.

Committee recommendations

Committee recommendations

i. The Committee reprimands the then Accounting Officer and any officer who failed to comply with section 62 (1) (b) of the Public Audit Act CAP 412 B.

ii. Within three months upon adoption of this report, the Inspector-General to surcharge the then Accounting Officer and any officer who failed to comply with section 62 (1) (b) of the Public Audit Act CAP 412 B any penalties prescribed in Public Audit Act CAP 412B.

3. Unsupported Revenue

412. The Committee heard that the statement of financial performance reflects public contributions and donations of Kshs. 29,603,994 and rendering of services of Kshs. 9,772,236 as disclosed in Note 7 and Note 8 to the financial statements, respectively. However, these amounts were not supported by schedules. In the circumstances, the accuracy and completeness of the total amount of public contributions and donations, and the rendering of services of Kshs.39,376,230 could not be confirmed.

Management response

413. Management informed the committee that, this is attributed to contributions and donations of Kshs.29,603,994 and rendering of services of Kshs.9,772,236 which were received during the National Cancer Summit as disclosed in note 7 and 8 to the financial statements. Supporting schedules are available for examination.

Committee Observations

The Committee noted that, although audit is a process, the management ought to have given the explanation to the auditors during the time of audit and provide accurate schedules then. Therefore, the management contravened section 62 (1) (b) of Public Audit Act which states that a person shall not without justification, fail to provide information required under this Act.

Committee recommendations

The Committee reprimands the then Accounting Officer for failure to comply with section 62 (1) (b) of the Public Audit Act CAP 412B.

4. Unsupported Travel Accommodation and Daily Subsistence Allowances

414. The Committee heard that the statement of financial performance reflects use of goods and services amounting to Kshs.163,526,082 as disclosed in Note 9 to the financial statements. Included in this amount is travel accommodation and daily subsistence allowances amount of Kshs.80,931,996 out of which Kshs.24,468,072 was not supported with payments vouchers and their respective supporting documents. In the circumstances, the accuracy and

completeness of travel accommodation and daily subsistence allowances amounting to Kshs 24,468,072 could not be confirmed.

Management response

415.The management informed the committee that, the daily subsistence allowances payment vouchers amounting to Kshs. 24,468,072 are available for audit review.

Committee Observations

The Committee noted that, although audit is a process, the management ought to have provided the payment vouchers to the auditors during the time of the audit and provided accurate schedules then. Therefore, the management contravened section 62 (1) (b) of the Public Audit Act, which states that a person shall not, without justification, fail to provide information required under this Act.

Committee recommendations

The Committee reprimands the then Accounting Officer for failure to comply with section 62 (1) (b) of the Public Audit Act CAP 412 B.

5. Unsupported Bank Balance

416.The Committee heard that the statement of financial position reflects cash and cash equivalents balance of Kshs. 27,372,282 as disclosed in Note 12 to the financial statements. The balance includes current account amount of Kshs.16,915,180 which was not supported by cashbook, certificate of bank balance and bank reconciliation statements. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.16,915,180 could not be confirmed.

Management response.

417.Management informed the Committee that, the amount of kshs 16,915,180 relates to the bank account under ABC bank held by the institute. The bank balance certificate has been obtained, monthly reconciliation done and an updated cashbook has been provided for audit verification.

Committee Observations

The Committee observed that the monthly bank reconciliation, cashbook balance, and certificate of bank balance to support the cash and cash equivalents balance of Kshs.. 16,915,180 were not prepared and provided for audit. This contravenes regulation 90 (1) of Public Finance Management (National Government) Regulations 2015 which states that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor- General.

Committee recommendations

The Committee reprimands the then Accounting Officer for failure to comply with regulation 90 (1) of the Public Finance Management (National Government) Regulations 2015.

6. Undisclosed Outstanding Imprest

418. The Committee heard that the statement of financial position reflects receivables from non-exchange transactions of Kshs. 124,500,000 as disclosed in Note 13 to the financial statements. However, the balance omitted outstanding Imprests amounting to Kshs. . 8,141,287. In the circumstances, the accuracy and completeness of receivables from non-exchange transactions of Kshs. 124,500,000 could not be confirmed.

Management Response

419. Management informed the Committee that an amount of Kshs. 8,141,287 in outstanding imprest was omitted from the FY 2022/2023 financial statements. As the audit of FY 2023/2024 has been concluded and the omission was not factored. The omitted imprest shall be disclosed in the FY 2024/2025 as a prior period adjustment, in compliance with applicable accounting standards.

Committee Observations

i. The Committee observed that the financial statements prepared and submitted for audit were inaccurate by excluding outstanding imprests amounting to Kshs. 8,141,287. This implies that the receivables were understated.

ii. The imprest holders did not surrender the imprest issued within the stipulated period, hence contravening section 93 (5) of the Public Finance Management Regulation 2015, which requires that a holder of a temporary imprest shall account for or surrender the imprest within 7 working days after returning to the duty station. No evidence of recoveries through the payroll or from the Accounting Officer for failing to recover was adduced to the committee.

Committee recommendations

The Committee recommends that, within three months upon adoption of this report, the Inspector-General state corporation to surcharge the then Accounting Officer the outstanding imprest of Kshs. 8,141,287 with interests at the prevailing Central Bank rates and submit evidence of recovery to the National Assembly.

7. Budgetary Control and Performance

420. The Committee heard that, the statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs.140,400,000 and actual on comparable basis of Kshs.275,542,897 resulting in over-collection of receipts of Kshs.135,142,897. Similarly, the Institute spent an amount of Kshs.173,501,282 out of the approved expenditure budget of Kshs.85,994,000 resulting in an over-expenditure of Kshs.87,507,282. However, there was no evidence of approval of the over-expenditure. The over-collection of receipts and over-expenditure may imply weaknesses in formulating the budget.

Management Response:

421. Management informed the Committee that, the initial budgeted amount was Kshs. 140,400,000, while the actual receipts amounted to Kshs. 275,542,897. The variance is primarily due to an additional allocation of Kshs. 114,500,000 from the Ministry of Health, intended to support the construction of regional cancer centres during the financial year. This is supported by the letter REF: MOH/PROC/GEN/MF/ADSCMS/VOL. referenced in

Appendix II of the Financial Report as of June 2023. Additionally, donations and revenue from service rendering contributed Kshs. 39,376,194 to the total receipts

Committee Observations

The Committee noted that;

i. The institute reported an over-collection of Kshs. 135,142,897 which implies that the projection of Revenue was based on weak assumptions

ii. The institute spent Kshs. 173,501,282 against a budget of Kshs.85,994,000 resulting in an over-expenditure of Kshs. 87,507,282. However, Section 43 (2) of the PFM Act Cap 412A provides that an Accounting Officer for a national government entity, other than a state corporation, may reallocate funds between programs, or between Sub-Votes, in the budget for a financial year, and similarly, no approval was sought for the over expenditure.

iii. The management indicated that the over-collection of receipts of Kshs. 135,142,897 was as a result of an additional allocation of Kshs. 114,500,000 from the Ministry of Health, intended to support the construction of regional cancer centres during the financial year. However, the certificate of completion for the cancer centre was not provided for review.

Committee recommendations

The Committee recommends that;

i. The Committee reprimands the then Accounting Officer for breach of Section 43 (2) of the PFM Act Cap 412A.

ii. Within three months upon adoption of this report, the management to submit to the National Assembly a status report and completion certificates for the regional cancer center, approval for the over-expenditure, and the partners' donation policy.

8. Pending Accounts Payable

422. The Committee was informed that the statement of financial position reflects trade and other payables of Kshs. 22,493,943 as disclosed in Note 15 to the financial statements as at 30 June 2023. The management has attributed this to unpaid supplies and unpaid audit fees. Failure to

settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year, as they form a first charge.

Management response.

423. Management informed the Committee that it is true that the pending bills' balance for the financial year 2022/2023 amounted to Ksh 22,493,943. The amount was incurred on the purchase of goods and services within the budget and the procurement plan. The Institute was, however, not in a position to settle the claims due to the delay of the submission of invoices from the service providers. The pending bill amount formed the first charge in the financial year 2023/2024, of which Ksh 22,493,943 was paid. The Institute remains committed to clearing its historical, current, and future obligations

Committee Observations

The Committee observed that the management of the institute claims that the payable amount of Kshs. 22,493,943 formed the first charge during the subsequent year could not be confirmed. The Accounting Officer did not provide the Budget for the subsequent financial year reflecting the pending bills as an item therein, bank statement and payment vouchers were also not provided as evidence of full settlement.

Committee Recommendation

Within three months upon adoption of this report, the Auditor-General to verify the payment vouchers in the subsequent audit cycle and report to the National Assembly.

9. **Budget Imbalance**

424. The Committee heard that the statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs. 140,400,000 and a final expenditure budget of Kshs.85,994,000 resulting in a budget imbalance of Kshs. 54,406,000. This was contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015, which states that budget revenue and expenditure appropriation shall be balanced. In the circumstances, Management was in breach of the Law.

Management response

425. Management informed the Committee that there was an oversight while disclosing the amounts in the statement of comparison of budget and actual amounts while preparing the financial statement. This was as a result of the non-inclusion of the personal emolument budgeted amount of Kshs. 45,000,000 and the use of goods of Kshs. 9,406,000.

The Institute will ensure that all expenditure is clearly indicated in order to account for the utilization of the allocated amount by the Exchequer.

Committee Observations

The Committee observed that;

i. The Management of the institute had a final revenue budget of Kshs. Kshs.140,400,000 and final expenses budget of Kshs. 85,994,000 resulting to budget deficit of Kshs. 54,406,000. This was as a result of non-inclusion of personal emolument budgeted amount of Kshs.45,000,000 and use of goods of Kshs.9,406,000. This implied that the budget was not balanced contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 on budget guidelines.

ii. The budget as presented was inaccurate and incomplete which could have been a strategy to conceal actual receipts from other sources.

Committee Recommendations

The Committee recommends that –

i. The Committee reprimands the then Accounting Officer for breach of Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 on budget guidelines.

ii. The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules in compliance with Regulation 44(2) of the PFM (National Government) Regulations, 2015.

iii. Within three months upon adoption of this report, the Accounting Officer should provide a detailed report on how the institute intended to finance the deficit to the

National Assembly and to the Auditor-General for review and reporting in the subsequent audit cycle.

10. Long Outstanding Audit Fees

426. The Committee heard that the statement of financial position reflects the trade and other payables balance of Kshs.22,493,943 out of which Kshs. 1,392,000 relates to audit fees which have been outstanding for more than one (1) year. Management has not provided a satisfactory explanation for the failure to settle the long overdue audit fees. This is contrary to the Public Audit Act, 2015 Section 41(c), which states that, "the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

427. In the circumstances, Management is in breach of the Law.

Management response

428. Management informed the Committee that the outstanding audit fee has been provided in the budget for the year 2023-2024, and it has since been paid.

Committee Observations

The Committee observed that the institute had failed to settle long-outstanding audit fees amounting to Kshs. 1,392,000 for more than one (1) year, but eventually paid the amount in the financial year 2023/2024 and provided the supporting documents.

Committee recommendations

The Committee recommends that the institute ensure the timely payment of services offered to avoid unnecessary payment of penalties and fines.

11. Failure to Withhold and Remit Tax to the Kenya Revenue Authority

429. The Committee heard that the statement of financial performance reflects the use of goods and services amounting to Kshs. 163,526,082. Review of expenditure records, including payment vouchers, revealed supplies of Kshs. 45,701,248, whose corresponding 2% withholding VAT amounting to Kshs. 914,025 was not withheld and remitted to the Kenya Revenue Authority. This is contrary to Section 42A of the Tax Procedures Act, 2015, which gives powers to the Commissioner to appoint a person to withhold two (2) per cent of the

taxable value on purchasing taxable supplies at the time of paying for the supplies and remit the same directly to the Commissioner. In addition, the board expenses of Kshs.9,975,200 includes Kshs. 1,880,500 being withheld tax deductions on board payments, but there was no evidence that it was remitted contrary to Income Tax Act CAP 470 Section 37(5). In the circumstances, Management was in breach of the law.

Management Response

430. Management informed the Committee that the institute did not withhold taxes for KRA since the Institute did not have a KRA PIN. In these circumstances, the institute had not been appointed as a withholding tax agent. However, the Institute was appointed as a withholding agent on 20th June 2024 and has been withholding and remitting taxes since then.

Committee Observations

The Committee Observed that;

i. The institute did not have a KRA PIN and was not appointed by KRA to be a tax agent in accordance with Section 42A of the Tax Procedures Act, 2015. Therefore, the institute could not deduct withholding tax and remit to KRA from the use of goods and services of Kshs. 45,701,248 at the rate of 2%, translating to Kshs. 914,025.

ii. The institute had deducted Kshs. 1,880,500 as tax from Board payments. However, the evidence of remittance to the KRA was not provided during the audit. However, during the Committee deliberations, the management provided a KRA certificate to confirm remittance of the amount. This was a breach of section 62 (1) (b) of the Public Audit Act, which states that a person shall not, without justification, fail to provide information required under this Act.

Committee recommendations

The Committee reprimands the then Accounting Officer for failure to comply with section 62 (1) (b) of the Public Audit Act CAP 412 B.

12. Excess Board of Trustees Composition

431. The Committee heard that the statement of financial performance reflects board expenses of Kshs.9,975,200 (2021/2022 Kshs.1,042,400) resulting in an increase by Kshs.8,932,800. In addition, a review of board records revealed that the Institute had ten (10) board members. This was contrary to Chapter 1(1.1.3) of the Mwongozo code of governance, which requires board membership of all state corporations to have between seven (7) and nine (9) members. In the circumstances, Management was in breach of the law.

Management Response

432. Management informed the Committee that the Board's increased operational activities during the year under review were due to the strategic initiatives undertaken to operationalize the Institute and the planning of the Inaugural Cancer Summit. This necessitated additional engagements, including extra Board meetings, which contributed to the rise in Board expenses.

433. Regarding the composition of the Board, the Institute sought guidance from the Ministry upon identifying the discrepancy in membership numbers. The appointing authority is yet to officially retire the extra member. Management acknowledges the observation and reaffirms its commitment to adhering to statutes and governance requirements in all operations.

Committee Observations

The Committee observed that,

i. The Board expenses increased by Kshs. 8,932,800 compared to the financial year ending 30th June, 2022, because of strategic initiatives undertaken to operationalise the Institute and planning of the Inaugural Cancer Summit. However, it was not supported by any evidence.

ii. The Institute had ten (10) board members, which exceeded the maximum limit of nine (9) as prescribed under Chapter 1(1.1.3) of the Mwongozo Code of Governance for State Corporations.

iii. The increase was also associated to increased number of meetings which was contrary to Head of the Public Service Circular REF: OP/CAB.9/1A by dated March 11, 2020 - on part A on board meeting which states that "For avoidance of doubt, the board meetings shall be restricted to a minimum of four (4) as provided in the State Corporations Act and capped at a maximum of six (6) for each financial year or as may be specified in the respective enabling legal instruments.

Committee recommendations

The Committee recommends that, within three months upon adoption of this report, the Inspector-General state that corporations to investigate the circumstances under which the institute had 10 Board members with increased meetings and surcharge the then Accounting Officer and the BOD for the extra amounts paid to the board members.

13. Holding of Multiple Imprests

434. The Committee heard that the review of imprest records revealed that seven (7) staff held multiple Imprests amounting to Kshs. 8,141,287. This was contrary to Regulation 93(4) of the Public Finance Management (National Government) Regulations, 2015, which states that "Before issuing temporary Imprests under paragraph (2), the Accounting Officer shall ensure that- (b) the applicant has no outstanding Imprests." In addition, the imprest had not been surrendered and was long overdue. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which states that a holder of a temporary imprest shall account for or surrender the imprest within 7 working days after returning to the duty station. In the circumstances, Management was in breach of the law.

Management response

435. Management informed the Committee that this was due to a lean team that had to undertake a number of activities, which made it unavoidable to advance them multiple Imprests. This imprest was duly accounted for. Upon the recruitment of more staff, management made sure that no staff member had multiple imprests and also ensured that imprests were accounted for in the constitutionally stipulated timelines.

Committee Observation;

The Committee observed that,

i. Seven (7) staff held multiple imprests amounting to Kshs.8,141,287 contrary to Regulation 93(4) of the Public Finance Management (National Government)

Regulations, 2015 which states that "Before issuing temporary Imprests under paragraph (2), the Accounting Officer shall ensure that- (b) the applicant has no outstanding Imprests.

ii. The staff did not surrender Imprests within the stipulated period of 7 days contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which states that a holder of a temporary imprest shall account for or surrender the imprest within 7 working days after returning to the duty station.

Committee recommendation

The Committee reprimands the then Accounting Officer for Contravening Regulation 93(4) and 93(5) of the Public Finance Management (National Government) Regulations, 2015.

14. Excess Board Meetings

436. The Committee was informed that the board held seven (7) full board meetings, seven (7) finance and strategy committee meetings and seven (7) technical committee meetings. These meetings surpassed the maximum number of six (6) meetings allowed without approval from the Cabinet Secretary. In addition, the human resources committee and the audit committee held only three (3) and two (2) meetings, respectively. This was contrary to Head of the Public Service Circular REF: OP/CAB.9/1A by dated March 11, 2020 - on part A on board meeting which states that "For avoidance of doubt, the board meetings shall be restricted to a minimum of four (4) as provided in the State Corporations Act and capped at a maximum of six (6) for each financial year or as may be specified in the respective enabling legal instruments.

437. In the circumstances, the overall governance of the Institute could not be confirmed.

Management response

438. The Management informed the Committee that the Board's increased operational activities during the year under review were due to the strategic initiatives undertaken to operationalise the Institute and the planning of the Inaugural Cancer Summit. This necessitated additional engagements, including extra Board meetings, which contributed to the rise in Board expenses.

Committee observation

The Committee observed that the institute's Board had more than six (6) meetings without the approval of the Cabinet Secretary, contrary to Head of the Public Service Circular REF: OP/CAB.9/1A dated March 11, 2020, which capped the number of meetings to six (6).

Committee recommendations

The Committee recommends that within three months upon adoption of this report, the Inspector-General of the States Corporation to surcharge the then Accounting Officer the monies paid for board meetings beyond the stipulated number.

15. Failure to Provide Confirmed Board Minutes

439. The Committee heard that the board held twenty-six (26) meetings, out of which only twenty-one (21) board minutes were provided for audit, out of which seventeen (17) minutes were not signed, and there was no evidence of confirmation of these minutes. This is contrary to Annexure I-E (8) (e) of Mwongozo, which provides that, "Minutes must be drawn up for every board and committee meeting with resolutions highlighted therein. The meeting should be circulated to all board members as soon as possible after the meeting. Upon confirmation, the minutes should be signed by the Chairperson and added to the records of the organization."

440. In the circumstances, the overall governance of the Institute could not be confirmed.

Management response

441. Management informed the Committee that this was an oversight. The signed minutes are now availed for verification.

Committee Observations

The committee observed that;

i. The institute's board held a total of twenty-six (26) meetings and only provided 21 minutes during the audit. In addition, out of 21 minutes provided, 17 were not signed. This is contrary to Annexure I-E (8) (e) of the Mwongozo code, which provides that "Minutes must be drawn up for every board and committee meeting with resolutions highlighted therein. The meeting should be circulated to all board members as soon as possible after the meeting. Upon confirmation, the minutes should be signed by the Chairperson and added to the records of the organization."

ii. The institute is therefore in breach of section 62 (1) (b)of the Public Audit Act CAP 412B for failing to provide documents during the audit.

Committee recommendations

i. The Committee reprimands the then Accounting Officer for contravening 62 (1) (b) of the Public Audit Act 2015 and Annexure I-E (8) (e) of the Mwongozo code.

ii. Within three months upon adoption of this report, the Inspector-General to surcharge the then Accounting Officer and any officer who failed to comply with section 62 (1) (b) of the Public Audit Act CAP 412 B any penalties prescribed in Public Audit Act CAP 412B.

16. Failure to Prepare Almanack and Annual Work Plan

442. The Committee heard that during the year under review, the Board operated without an approved Almanack and annual Board work plan. This was contrary to Chapter 1 (1.9) of the Mwongozo code of governance, which requires board members to have an annual work plan to guide their activities. In the circumstances, the overall governance of the Institute could not be confirmed.

Management response

443. Management informed the Committee that this was an oversight. The Almanack and annual work plan are now availed for verification.

Committee Observations

The committee observed that, during the year under review, the institute's Board operated without an approved Almanac and annual Board work plan contrary to Chapter 1 (1.9) of the Mwongozo code of governance, which requires board members to have an annual work plan to guide their activities.

Committee recommendation

The Committee reprimands the then Accounting Officer for contravening to Chapter 1 (1.9) of the Mwongozo code of governance.

FINANCIAL YEAR 2023/2024

1. Budgetary Control and Performance

444. The Committee heard that, the statement of comparison of budget and actual amounts reflects actual expenditure of Kshs. 149,923,541 against actual revenue of Kshs.214,856,410 resulting to under expenditure of Kshs.64,923,869 or 30% of the actual revenue. The under expenditure may have negatively impacted on execution of the planned activities and the achievement of the Institute's objectives.

Management response

445. The Committee was informed that, the under-absorption of Kshs. 64,923,869 was as a result of;

446. **Delayed Disbursement of Funds** – Some funds were received later than anticipated, affecting the timely execution of planned activities.

447. **Procurement and Administrative Delays** – Certain procurement processes took longer than expected, leading to postponed expenditures.

The Institute endeavor to streamline the procurement and administrative processes to ensure that they are undertaken within the scheduled timelines

Committee Observations

The Committee Observed that, the institutes under-absorbed the budget by Kshs. 64,923,869 which derailed the realization of the planned activities and public service delivery.

Committee recommendation

The Committee recommends that, the management of the institute to ensure that all the planned activities are undertaken during the financial year.

2. Unresolved Prior Year Matters

448. The Committee heard that, in the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and

Governance. However, the Management had not resolved the issue as at 30th June 2024 or given any explanation for the failure to resolve them. In addition, the status of the issues and the dates when the issues were expected to be resolved were not indicated in Appendix I of the financial statement as required by the annual financial reporting template.

Management response

449.Management informed the Committee that the institute has made efforts to resolve most of the recurring issues. Further, the institute is yet to appear before the parliamentary investment committee for further deliberation and recommendations on the issues.

Committee observation

The Committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements, as required by the Public Sector Accounting Standards Board reporting template.

Committee Recommendations

The committee reprimands the then Accounting Officer for breach of section 81(3) of the PFM Act CAP 412A, which provides that the Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

3. Excess Board Membership

450.The Committee was informed that the statement of financial performance reflects board expenses of Kshs 8,276,950 as disclosed in note 11 to the financial statement. However, the Institute had ten board members contrary to Section 1.1.3 of the Mwongozo Code of Governance for State Corporations,2015, which requires board membership of all state corporations of between 7 and 9 members.

In the circumstances, management was in breach of the Mwongozo Code of Governance for State Corporations.

Management response

451.Management informed the Committee that, the Institute sought guidance from the appointing authority. The Ministry has since provided clear directions on the matter, and the issue has been fully resolved in compliance with the Mwongozo Code of Governance. Management acknowledges the observation and reaffirms its commitment to adhering to statutory and governance requirements in all operation.

The excess board of Trustee Member was informed and retired voluntarily

Committee observations and recommendations

The committee had deliberated on the issue of Excess Board Membership in its report for the FY 2022/2023, observed and made recommendations thereon, the Committee upholds the observations and recommendations thereon.

4. Non-compliance with Guidelines on Persons with Disabilities.

452.The Committee was informed that the statement financial performance and as disclosed in Note 10 to the financial statements reflects employee costs of Kshs.2,830,002 which includes salaries and wages of Kshs.2,819,922. Analysis of the sampled staff records revealed that only one (1) member of staff was listed as Persons with Disabilities (PWD), representing 3% of the total staff members which is less than the required minimum of 5%. This was contrary to Section B23(2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 which states that the government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

453.In the circumstances, Management was in breach of the Public Service Commission Human Resource Policies and Procedures Manual, 2016.

Management response

454.Management informed the Committee that, the institute's advert that was sent out to the public domain had encouraged applications from people living with disability. The management recruited 2 people living with disability, however one had not presented a disability certificate and currently has presented the certificate. Hence, we are compliant with the guidelines on persons with disability based on the recruitment in question. We are also planning to recruit for more staff in the next financial year and this will surpass the minimum threshold.

Committee observation

The Committee noted that; the institute had employed two PWD staff with one who had no disability certificate. The one PWD represented 3% of person listed as Persons with Disabilities (PWD) contrary to Section B23(2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 which states that the government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

Committee recommendation

The Committee reprimands the then Accounting Officer for contravening Section B23(2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016. Subsequently the Accounting Officers should abide by the law on PWD.

5. Inadequate staffing levels.

455. The Committee heard that the Review of the Institute's staff establishment revealed approved staff establishment of two hundred and forty-seven (247) positions while current staff in post stood at thirty-three (33) as at 30 June, 2024 resulting in unfilled positions of two hundred and fourteen (214). In the circumstances, the inadequate staffing levels may have affected the effectiveness of achieving the Institute's principal activities.

Management response

456. Management informed the Committee that, the Institute carried out the first phase of recruitment in June 2024, however we did not recruit adequate staff due to budgetary constraints in allocation of the personnel emoluments by the National Treasury. An exemption approval is being sought with regard to the second phase of recruitment considering the austerity measures in place on recruitment by government.

Committee Observations

The Committee Observed that, the institute had thirty-three (33) staff against an approved staff establishment of two hundred and forty- seven (247) which negatively affected the service delivery of the institute.

Committee recommendations

The Accounting Officer should at all times adhere to the Public Service Commission Human Resource Policies and Procedures Manual on staffing and ensure filling of vacancies promptly as per the approved staff establishment structure to effectively deliver services to the public.

6. Weakness in Internal Controls and Risk Management

457. The Committee was informed that the Institute did not establish risk management policy, finance and accounting manual, assets management policy, transport management policy, information technology (IT) plan and disaster recovery plan. Further, the audit committee and internal audit charters were not approved and operationalized. In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

Management response

458. Management informed the Committee that, the institute regret the oversight and are benchmarking with parent ministry to enable us come up with assets management policy, finance and accounting manual, transport management policy, information technology (IT) plan and disaster recovery plan. Further, the audit committee and internal audit charters are approved operationalized.

Committee Observations

The Committee observed that, the institute had not established risk management policy, finance and accounting manual, assets management policy, transport management policy, information technology (IT) plan and disaster recovery plan. Further, the audit committee and internal audit charters were not approved and operationalized.

Committee recommendation

The Committee recommends that within three months upon adoption of this report, the institute to furnish the National Assembly with the current status on the establishment of risk management policy, finance and accounting manual, assets management policy, transport management policy, information technology (IT) plan and disaster recovery plan and the operationalization of the audit committee and internal audit charters.

EXAMINATION OF THE AUDITOR GENERAL'S REPORT ON THE AUDITED ACCOUNTS OF THE CHILD WELFARE SOCIETY OF KENYA FOR THE FINANCIAL YEARS 2015/2016 TO 2018/2019

Ms. Irene Mureithi, Chief Executive Officer, Child Welfare Society of Kenya was accompanied by Mr Charles Maina, General Manager Finance appeared before the Committee to adduce evidence on the Audited Accounts of Child Welfare Society of Kenya for the Financial Years 2015/2016 - 2018/2019.

FINANCIAL YEAR 2015/2016

1.0 Property, Plant, and Equipment

459. The Committee heard that financial statements reflect the property, plant, and equipment balance of Kshs.1,832,062,112 out of which Kshs. 1,374,733,833 relates to Land and buildings in various parts of the country. As previously reported, twenty-four (24) parcels of land of an undetermined value did not have complete ownership documents as follows:

Status of Various Parcels of Land	**Number**
With Title deed	0
Allotment Letters	9
Partial Development Plan	8
Title deed in progress	1
Others with unclear descriptions	6
Total	**24**

460. Although correspondences available indicate that the Society has initiated the process of acquiring titles for some of the parcels, the process should be fast–tracked to pursue the disputed parcels of land, cases in court, and the grabbed parcels for recovery and issuance of ownership documents.

461.In the foregoing circumstances, the accuracy and completeness of the property,plant and equipment balance of KSh 1,832,062,112 reflected in the financial statements as at 30th June 2016 could not be confirmed.

Management response

462.The Society informed the Committee that it is working with the Ministry of Lands to get all the documents. There is progress in the acquisition of the titles. We have received titles and allotment letters for most of them.

Committee's Observations

The Committee observed that;

i. Though the Society reported some progress so far made in the acquisition of the ownership documents, the pace has been slow.

ii. Without the ownership documents, the Society's parcels of land are exposed to the risks of being grabbed, ownership disputes, and liability or contingencies associated to legal processes in cases in courts.

Committee recommendations

i.Within three months upon the adoption of this report, the Accounting Officer for the Society should fast-track the process of acquisition of its land ownership documents and submit to the National Assembly the progress status report.

ii.Within three months upon the adoption of this report, the Accounting Officer, in collaboration with the Principal Secretary for Social Protection, the PS for Lands, and the National Lands Commission, should put caveats in the lands owned to protect them from risks of illegal transfer and dealings.

2.0. Budget Control and Performance

2.1. Revenue

463.The Committee heard that the Child Welfare Society of Kenya had budgeted for revenue totalling Kshs. . 4,200,000,000 as follows:

Source	Budget	Actual	Over (Under)	Over/(under)
	Kshs.	Kshs.	Kshs.	%
GOK Grant – Recurent	1,500,000,000	347,250,000	(1,152,750,000)	(77%)
GOK Grant – Development	2,700,000,000	400,000,000	(2,300,000,000)	(85%)
Other Grant	-	65,260,264	65,260,264	100%
Other Income	-	6,156,335	6,156,335	100%
Total	4,200,000,000	818,666,599	(3,381,333,401)	(81%)

464. However, the actual revenue realized amounted to Kshs. 818,666,599 resulting in a shortfall of Kshs. 3,381,333,401 or 81%. The shortfall was mainly attributed to non-receipt of Government grants totalling Kshs. 3,452,750,000 or 82%. Despite the actual receipt of Kshs. 49,240,248 under other grants and other income in the 2014/2015 financial year, no estimate was made under these items during the 2015/2016.

465. No satisfactory reasons have been provided for the failure to budget for these other sources of revenue. Further. no explanatory note was provided in the financial statement for revenue shortfalls of over or under 10% as required.

Management response

466. The Society informed the Committee that this is a result of a budgetary allocation shortfall Kshs. 3,381,333,401, which was not released by the National Treasury.

2.2 Expenditure

467. The Committee heard that Actual expenditure amounted to Kshs. 910,139,768 against the approved budget of Kshs. 4,200,000,000 for both development and recurrent expenditure, resulting in an under expenditure of Kshs. 3,289,860,232 or 78% as follows.

Programme/Activity	Budget Kshs.	Actual Kshs.	Over/(Under)	Over/(Under)
Recurrent	1,500,000,000	438,723,169	(1,061,276,831)	(71%)
Development	2,700,000,000	400,000,000	(2,300,000,000)	(85%)

Other Grants	-	65,260,264	65,260,264	100%
Other Income	-	6,156,335	6,156,335	100%
TOTAL	4,200,000,000	910,139,768	(3,289,860,232)	(78%)

468. However, the Society did not provide explanatory notes to the financial statement as required for expenditures of over and under 10%.

469. As a result, the society has not contained its expenditure within the approved budget for 2015/2016.

Management response

470. The Society informed the Committee that it received Kshs. 818,666,599. The Ksh 4,200,000,000 was our budget. Ksh. 289,860,232 was not released, though CWSK requested the amount.

Committee's Observations

The Committee observed that;

i. The society reported actual revenue of Kshs. 818,666,599 resulting to a shortfall of Kshs. 3,381,333,401 or 81% mainly attributed to non-receipt of Government grants totalling Kshs. 3,452,750,000 or 82%.

ii. The Society did not provide explanatory notes to the financial statement for over- and under expenditures above or below 10%,. contrary to the Public Sector Standards Board disclosure requirements.

iii. The society reported actual expenditure of Kshs. 910,139,768 resulting to a shortfall of Kshs. 3,289,860,232 or 78%. This derailed the realization of the budgetary targets and service delivery to the public.

Committee recommendation

Within three months upon the adoption of this report, the Accounting Officer of the Society should at all times ensure that budgetary projections are based on realistic assumptions and incorporate all possible streams of revenue.

FINANCIAL YEAR 2016/2017

1.0 Property, Plant and Equipment

471. The Committee heard that, the statement of financial position as at 30 June 2017 reflect property, plant and equipment balance of Kshs. 2,145,456,438 out of which relates to land and buildings,, As previously reported, nineteen (19) parcels of land spread across the country had partial or no ownership documents. Although evidence availed by the Society shows that it is in the process of acquiring the ownership documents for some parcels of land, the process of resolving disputed land issues and court cases should be fast tracked to ensure security of the public assets.

472. Further, the Society did not maintain a proper fixed assets register for property, plant and equipment with necessary details such as; record of each parcel of land and each building and the terms on which it is held, with reference to, the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details as required. Documents availed for audit indicated that only a listing of various properties was maintained.

In addition, the financial statements did not include a summary of fixed assets, which should disclose the nature, value, and status of the assets owned by the Society as at 30 June 2017

473. In the circumstances, it has not been possible to confirm the accuracy, completeness of the property, plant, and equipment balance of reflected in the statement of financial position as at 30 June 2017.

Management response

474. The management informed the Committee that the society is working with the Ministry of lands to get all the documents. There is progress in the acquisition of the titles. We have received titles and allotment letters for most of them.

Committee's Observations

The Committee observed that;

i. Though the Society reported some progress so far made in the acquisition of the ownership documents, the pace has been slow.

ii. Without the ownership documents, the Society's parcels of land are exposed to the risks of being grabbed, ownership disputes, and liability or contingencies associated to legal processes in cases in courts.

iii. The Society failed to maintain a proper fixed assets register for property, plant and equipment with necessary details contrary to section 143(1) of the PFM regulation which requires that the Accounting Officer to be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Committee's recommendations

i. Within three months upon the adoption of this report, the Accounting Officer for the Society should fast-track the process of acquisition of its land ownership documents and submit to the National Assembly the progress status report.

ii. Within three months upon the adoption of this report, the Accounting Officer in collaboration with the Principal Secretary for Social Protection, the PS for Lands, and the National Lands Commission, should put caveats in the lands owned to protect them from risks of illegal transfer and dealings.

iii. Within three months upon adoption of this report, the Accounting Officer to prepare an asset register and submit it to the National Assembly.

2. Inventory and Stores Management

475. The Committee heard that the financial statements for the year ended 30 June 2017 reflect inventories totaling Kshs. 59,513,036. However, no stock take exercise was carried out at the end of the year to establish the accuracy of this balance as required.

476. In the circumstances, it has not been possible to verify and confirm the accuracy, nature, existence, and value of the inventory owned by the Society as at 30 June 2017.

Management response

477. The Inventories balance as at 30th June 2017 was Ksh 19,807,217 as indicated in the financial statements. The stock take exercise sheets are available for 2016/17

Committee's Observations

The Committee observed that;

i. Reported inventories of Kshs. 59,513,036 lacked stock sheets, implying stock exercise was not carried out.

ii. The poor inventory and store management exposed the assets of the society to risks of losses and inaccuracies in balances on the financial statements.

iii. The belatedly submitted stock sheets lacked the details of values of the respective inventories; hence, they do not serve the intended purpose of establishing the value of the inventory, which is the basis and rationale of conducting the stock take exercise.

Committee's recommendations

The Committee recommends that the Accounting Officer should at all times ensure that regular stock take exercise is conducted and accurate stock amounts are incorporated in the financial statements.

Budget and Budgetary Performance

1.1 Revenue

478. The Committee heard that the Society received grants totalling Kshs. 915,670,771 against the estimated total of Kshs. 917,520,771 resulting in a shortfall of only Kshs. 1,850,000. The recurrent vote was allocated Kshs. 480,000,000 while the development vote was allocated Kshs. 298,650,000 with an additional Kshs. 100,000,000 reserved for Orphans and Vulnerable Children (OVC). The Society also received grants from donors such as UNICEF, Kshs. 10,000,000 against Kshs. 32,991,800 in 2015/2016, Nakuru Lapsetry Kshs. 17,100,400 etc, all totalling Kshs. 32,026,805 and other incomes from investments totalling Kshs. 4,243,966 as shown below:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Government grants Recurrent	481,250,000	480,800,000	(450,000)	(0.09)

Government grant Development	300,000,000	298,600,000	(1,400,000)	(0.47)
OVC development	100,000,000	100,000,000	0	0
Other rants	32,026,805	32,026,805	0	0
Other income	4,243,966	4,243,966	0	0
Total	**917,520,771**	**915,670,771**	**(1,850,000)**	**(0.2)**

1.2 Expenditure

479. Expenditure analysis indicates that the Society had budgeted to spend a total of Kshs.913,144,922 but actual expenditure amounted to Kshs. 868,589,833 and thereby under-spent the budgeted amount by Kshs.44,555,089 or 5% as tabulated below:

Expenditure	udget Kshs.	ctual Kshs.	nder (-) Kshs.	Over/Under (-) %
Compensation of employees	300,000,000	266,662,658	-33,337,342	-11
Directors expenses	2,500,000	2,548,775	48,775	2
Administrative expenses	125,500,000	105,863,763	-19,636,237	-16
Foster Care & Guardianship Programme	20,000,000	1 1205,477	-8, 794,523	-44
Adoption Programme	12,000,000	297,925	-11, 702,075	-98
OVC Development	131,894,922	129,793,075	-2, 101 ,847	- 2
Development Budget	300,000,000	334,624,686	34,624,686	12
Capital expenditure	21,250,000	17,593,474	-3,656,526	-17
Total	**913,144,922**	**868,589,833**	**-44, 555,089**	**(5)**

480. The under expenditure of Kshs. 44,555,089 was explained as a deliberate effort to ensure that at all times the Society had emergency response/rescue funds to cater for mainly adoption

programme where Kshs. 11,702,075 or 98% was saved, foster care and guardianship programmes where Kshs. 8,794,523 or 44% was saved. The over expenditure of Kshs. 34,624,686 or 12% under the development budget was attributed to emergency acquisition of additional capital items such as beds, mattresses, utensils, etc.

481. The Society should therefore consider budgeting for contingencies to avoid forced savings on specific budgetary items.

Management response

482. The management informed the Committee that the funds saved from the under-expenditure are for the Emergency Response Programme and to cater for children's welfare at all times.

Committee observation

The Committee observed that,

i. The society reported actual revenue of Kshs. 915,670,771 resulting in a shortfall of Kshs. 1,850,000, mainly attributed to non-receipt of the Government grant.

ii. The society reported actual expenditure of Kshs. 868,589,833 resulting to under expenditure of Kshs. 44,555,089 or 5%. This derailed the realization of the budgetary targets and service delivery to the public.

Committee recommendation

The Accounting Officer of the Society should at all times ensure that budgetary projections are based on realistic assumptions and incorporate all possible streams of revenue.

FINANCIAL YEAR 2017/2018

1. Property Plant and Equipment

483. The Committee heard that, the statement of financial position as at 30 June 2018 reflects property, plant and equipment balance of Kshs.2.500, 083, 716 which includes an amount of Kshs. 1,147,113,276 in respect to land. As previously reported, nineteen (19) parcels of land spread across the country had partial or no ownership documents. Although evidence availed by the Society shows progress in acquiring the ownership documents for some parcels of land, the process of resolving disputed land issues and Court cases should be fast tracked to ensure security of the public assets.

484. Further, the Society did not maintain a comprehensive fixed assets register for property, plant and equipment with necessary details such as; record of each parcel of land and each building and the terms in which it is held, with reference to, the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details as required. Documents made available for audit indicated that only a listing of various properties was maintained.

485. In the circumstances, it has not been possible to confirm the accuracy, custody, security, valuation, and completeness of the property, plant, and equipment balance of Kshs. 2,500,083,716 as at 30 June 2018.

Management response

486. The management informed the committee that the Society is working with the Ministry of Lands to get all the documents. There is progress in the acquisition of the titles. We have received titles and allotment letters for most of them.

Committee Observations and Recommendations

487. The Committee observed that the issue on Non-Performing Investment in Unquoted Equities was deliberated in its Report for the financial year ending 30th June, 2017, and upholds the observations and recommendations therein.

2.0 Inventory and Stores Management

488. The Committee heard that the statement of financial position as at 30 June 2018 reflects an amount of Kshs. 17,786,191 in respect of Inventories for construction materials paid for but not collected from the suppliers. However, no documentary evidence was provided for audit scrutiny to show that a stock take was carried out at the end of the financial year as required. Consequently, it has not been possible to confirm the balances held by the suppliers or the accuracy and completeness of the Kshs. 17,786,191 inventories balance as at 30 June 2018

Management response

489. The manager informed the Committee that the stock take sheets are available.

Committee's Observation and Recommendation

The Committee observed that the matter on Property Plant and Equipment was deliberated on its report for the financial year ending 30th June 2017 and upholds its recommendations therein.

3.0 Unremitted Pay as You Earn (PAYE)

490. The Committee heard that the statement of financial position as at 30 June 2018 reflects trade and other payables balance of Kshs. 71,101,478, which includes PAYE deductions amounting to Kshs. 54,206,764. A review of the status as at the time of audit in March 2019 indicate that between August and December 2018 an amount of Kshs. 30,859,009 had been remitted to Kenya Revenue Authority (KRA), leaving a balance of Kshs. 23,347,755 outstanding.

491. Failure to remit PAYE deductions within the stipulated timelines exposes the Society to payment of avoidable interest and penalties to Kenya Revenue Authority

Management response

492. The management informed the Committee that the amount relates to erroneous entries made to the PAYE liability account and that Journal entries have been passed to correct the same in the year 2022/2023 financial year.

Committee's Observations

The Committee observed that,

i. The PAYE outstanding of Kshs. 23,347,755 continues to attract fines and penalties if not settled within the legally stipulated timelines. The management explanation that the amount relates to erroneous entries made to the PAYE liability account and that Journal entries have been passed to correct the anomaly in the financial year 2022/2023 was not supported by any documentary evidence on how the error arose. Further, there was no clearance certificate indicating that the society's PAYE agency account with KRA was fully settled.

ii. The magnitude of the amount in question and the admission by the management of the Society that there were erroneous entries made to the PAYE liability account is an indication of a weakness in payroll management and ineffective internal audit function within the Society.

Committee's recommendations

i. Within three months upon adoption of this report, the Accounting Officer to provide a current compliance certificate from the KRA to the National Assembly and the Auditor-General and a report detailing how the error of such magnitude arose in the society's books. The report should include explanatory notes on which financial years the amount relates to and which individuals or KRA PINs were affected.

ii. The Accounting Officer of the Society should strengthen its internal audit unit to facilitate early detection, deterrent and correction of such errors.

4.0 Trustees Account

493. The Committee heard that, the statement of financial position as at 30 June 2018 reflects current assets balance of KSh. 195,951,996. Included in this balance is an amount of Kshs. 120,659,747 described as Trustees Account which is explained in Note 16 to the financial statements as income generating activities and property held there under which continue to be presided over by the Trustees under the Trust Deed of 12 June 1970 as per Legal Notice No. 58 of 2014.

However, the analyses provided did not fully support the increase of Kshs.52, 059242 from Kshs. 68,600,505 in 2016/2017 to Kshs. 120,659,747 in 2017/2018.

In consequence, the accuracy of the Trustees Account balance of Kshs. 120,659,747 as at 30 June 2018 could not be confirmed.

Management response

494. The management informed the Committee that, there was a mispositioning of figures in the Balance sheet where FY 2017 cash balance of Kshs 68,600,505 was positioned against Trustees balance in June 30th 2018.

Committee's Observations

The Committee observed that the presumed increase of Kshs.52, 059242 was a transposition error when presenting the balances on the face of the statement of financial position. The error did not have an effect the actual figures but was misleading.

Committee's recommendation

The Accounting Officer of the Society should strengthen its internal audit unit to facilitate early detection and correction of such errors.

1.0. Budgetary Control and Performance

1.1. Revenue

The Committee heard that, the society had budgeted for revenue totalling Kshs. 1,079,828,192 but total realized amounted to Kshs. 935,821,227 resulting to a shortfall of Kshs. 144,006,965 or 13% as follows:

RevenueHead	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Government Grants-Recurrent	481,250,000	481,250,000	0	0
Government Grants-Development	300,000,000	225,000,000	(75,000,000)	25
Orphansand Vulnerable Children	276,000,000	207,000,000	(69,000,000)	25
ProjectsGrants-Nakuru Lapsetry	18,878,192	18,878,192	0	0
Donations/other Incomes	3,700,000	3,693,035	(6,965)	0.2
Total	1,079,828,192	935,821,227	(144,006,965)	13

495. The shortfall was largely attributed to a shortfall in Government Development Grants, which had a budget of Kshs. 300,000,000 against actual receipts of Kshs. 225,000,000 and Orphans and Vulnerable Children receipts, which were budgeted at Kshs. 276,000,000, but actual receipts amounted to Kshs. 207,000,000.

1.0 Expenditure

496. The Committee heard that the Society had budgeted for expenditure totalling Kshs. 913,250,000, but the actual amount spent was Kshs. 918,070,524 resulting to an over-expenditure of

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Operating Expenses	99,620,506	99,035,170	(585,336)	0.6
Family Strengthening& tracing	13,000,000	12,689,711	(310,289)	0.2
Capital expenditure	94,279,494	8,926,308	(85.353,186)	91

Personnel Costs	271,200,000	270,160,151	(1,039,849)	0.3
Trustee Expenses	2.150,000	2,202,429	52,429	2.4
Sub-Total	**481,250,000**	**393,013,769**	**(88,236,231)**	**18**
OVC Development				
Capacity Building	14,200,000	13,112,339	(1,087,661)	8
Education & Skills Dev.	45,000,000	43,589,270	(1,410,730)	3
Emergency Preparedness	62.800,000	13.425,770	(49,374,230)	79
Temporary Places of Safety	76,000,000	75,632,601	(367,399)	0.5
Alternative Family Care	9,000,oo0	8,732,250	(367,750)	3
Sub-Total	**207,000,000**	**154,492,230**	**(52,507,770)**	**25**
Projects Development	225,000.000	370,564,525	145,564,525	65
Total	**913,250,000**	**918,070,524**	**4,820,524**	**1**

Management Response

497. The management informed the Committee that the Over expenditure is at an acceptable level of 1%.

Committee observations

The Committee observed that,

i. The society reported actual revenue of Kshs. 935,821,227 resulting in a shortfall of Kshs. 144,006,965 or 13%, mainly attributed to non-receipt of the Government grant.

ii. The society reported actual expenditure of Kshs. 918,070,524 resulting in an over expenditure of Kshs. 4,820,524 or 5%. This implies that the society incurred an unapproved expenditure of the same amount contrary to Section 12 of the State Corporations Act, CAP 446. The section provides that no state corporation shall, without the prior approval in writing of the Minister and the Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved in accordance with section 11.

Committee recommendation

The Committee reprimands the Accounting Officer of the Society for breach of Section 12 of the State Corporations Act, CAP 446.

Expiry of Board of Directors Term

498. The Committee heard that Section 7(i) of the Child Welfare Society of Kenya Order 2014 requires that the management of the Society shall be vested in a non-executive Board which consists of a chairman and 6 members, while the Chief Executive Officer of the society is the Secretary to the Board. It was, however, noted that the term of the previous Board expired on 20 March 2018, and the Society therefore operated for three months without a Board. At the time of the audit in March 2019, a Board was still not in place.

Management response

499. The management informed the Committee that the delay in appointment of the Board was as a result of conflict of operations of the Legal Order No. 58 of 2014 and Trustee deed. The Board was appointed in 2019.

Committee's Observations

i. The Committee observed that the term of the previous Board expired, and the Society operated for three months without a Board, which could have derailed the realisation of the strategic objectives and plans of the Society. The lapse was as a result of conflict between the Legal Order No. 58 of 2014 and the Trustee deed, which had not yet been resolved at the time of writing this report.

ii. The legal status of the Child Welfare Society of Kenya was not clear in light of conflict between the Legal Order No. 58 of 2014 and Trustee deed as to whether Child Welfare continues to operate as state corporation, a Trustee, any other form public entity or a private entity. Further, it was not clear whether the society should continue drawing funds from the exchequer.

iii. The committee noted that through a communication by the executive dated 21 January 2025, the cabinet resolved to declassify the society as a state corporation that should not be financed through the exchequer.

Committee's recommendations

Within six months upon adoption of this report, the Society in collaboration with the Attorney-General, should fast-track the resolution of the legal conflict between Legal Order No. 58 of 2014 and the Trustee deed.

Non- Non-Appointment of an Audit Committee

500. The Committee heard that Section 174(1), (2), and (4) of the Public Finance Management (PFM) Act, Regulations 2015 require each national Government entity to establish an audit committee. During the year under audit, the Society operated without an audit committee for three months starting from April 2018, and even at the time of the audit in March 2019, it was not put in place.

501. Failure to appoint an audit committee is contrary to the requirements of the PFM Act, 2012, and also implies that the activities of the Society's management were not independently appraised.

Management response

502. The management informed the Committee that Legal Order No. 58 of 2014 created a conflict between the State Corporation and the Child Welfare Society of Kenya Irrevocable Trust Deed, therefore interfering with the normal operations of the trust. The confusion was created by the 2 legal instruments operating at the same time. This is being resolved as the Legal order is awaiting degazettement.

Committee's Observations

i. The management was in breach of Regulations 174(1), (2) and (4) of the Public Finance Management (PFM) Act, Regulations 2015 which requires each National Government entity to establish an audit committee.

ii. Not having an audit Committee in place in the Society compromised the oversight of financial reporting, internal controls, risk management, internal and external audit processes, which are the crucial mandates executed by the audit Committee.

Committee's recommendations

The Committee reprimands the appointing authority for failure to appoint the audit committee, thereby contravening the provisions of Section 174(1), (2), and (4) of the Public Finance Management (PFM) Act. Regulation 2015 requires each national Government entity to establish an audit committee.

Information Technology (IT) Internal and Management Controls

503. The Committee heard that, a review of the financial transactions processing environment revealed that the Society uses QuickBooks software for accounting and financial records which seems inadequate to meet the demands of the society as it lacked key modules such as; payroll processing, human resource management, asset management, procurement, child information management etc. Further, a review of the information technology environment revealed the following matters:

504. The CWSK does not have an IT strategic committee. Non-establishment of an IT strategic committee at the board level could result in IT governance not being addressed adequately.

Management response

505. The Management informed the Committee that this was as a result of the conflict of operations of the Legal Order No. 58 of 2014 and the Trust Deed. The policy is approved and in place.

Committees Observations

The committee observed that;

i. The Society still uses outdated QuickBooks software for accounting and financial records, which is inadequate to meet the demands of the society as it lacks key modules such as payroll processing, human resource management, asset management, procurement, child information management.

ii. The weak IT Internal and Management controls expose the Society to the risks of manipulation of financial records, inefficiencies, and ineffectiveness in the processing of various operational activities and transactions being undertaken by the society.

iii. Non-establishment of an IT strategic committee at the board level could result in IT governance not being addressed adequately

Committee recommendations

Within three months upon adoption of this report, the Accounting Officer should conduct an IT needs assessment of the Society, prepare and submit a report to the National Assembly and the Auditor-General. A copy should be shared with the line ministry with the relevant budgetary requirement for approval and funding in the subsequent budget cycle. The society should subsequently establish an IT strategic Committee.

FINANCIAL YEAR 2018/2019

1. Unsupported Expenditure Adjustments

506. The Committee heard that the statement of financial performance reflects an expenditure of Kshs. 245,903,942 under Orphans and Vulnerable Children (OVC) development, which, as disclosed in Note 11 to the financial statements, includes an amount of related to Temporary Places of Safety. However, journal entries and supporting documents for the adjustment of Kshs 32,279,721 from the initial reported amount of Kshs. 94,780,057 were not provided for audit. Consequently, the accuracy of the expenditure of Kshs. 127,059,778 reported for Temporary Places of Safety could not be confirmed.

Management response

507. The management informed the committee that the amount had not been captured initially in the draft accounts but was captured in the final accounts.

Committee's Observations

The committee observed that the journal entries and supporting documents for the adjustment of Kshs, 32,279,721 were not provided for audit. This was in contravention to section 62 of the Public Audit Act, CAP 412.

Committee recommendations

The Committee reprimands the then Accounting Officer for dereliction of duty punishable under section 62 of the Public Audit Act CAP 412 B.

2.0 Property, Plant and Equipment

508. The statement of financial position reflects a balance of Kshs. 2,853,099,079 under property, plant, and equipment. The following observations were made regarding the balance:

2.1 Land without Ownership Documents

509. The reported property, plant, and equipment balance includes an amount of Kshs. 1,151,313,276 relating to land. However, as previously reported, nineteen (19) parcels of land spread across the country had no ownership documents. Although evidence provided by the Society indicated progress in acquiring the ownership documents for some parcels of land, disputes and Court cases concerning the land parcels had not been settled.

510. Further, the Society did not provide for audit review a comprehensive fixed assets register for land and buildings with necessary details such as; record for each parcel of land and each building and the terms under which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure leasehold terms, maintenance contracts and other details as required under Regulation 143(2) of Public Finance Management Regulations, 2015

511. In the circumstances, it has not been possible to confirm the accuracy, existence and completeness of the property, plant and equipment balance of Kshs. 2,853,099,079. It could also not be confirmed whether Management had applied adequate measures to safeguard the Society's assets.

Management response

512. The management informed the Committee that, Society is working with the Ministry of lands to get all the documents. There is progress in the acquisition of the titles. We have received titles and allotment letters for most of them.

Committee's Observations and Recommendations

The Committee observed that the matter on lands without ownership documents were deliberated on its report for the financial year ending 30th June 2018 and upholds its recommendations therein.

Unsupported Additions to Property, Plant and Equipment

513. As disclosed in Note 12 to the financial statements, additions to property, plant, and equipment amounted to Kshs. 372,905. 970 during the year under review. However, payment vouchers in support of the purchase of the assets totaling Kshs. 48,423,043 relating to a borehole (Kshs. 3,966,226); parking bay (Kshs. 2,289,800); computers and accessories (Kshs. . 5,898,000); furniture and equipment (Kshs.2,847,000) and motor vehicle (Kshs. 33,422,017) were not provided for audit.

514. Management explained that the payment vouchers were missing from the Society's offices and the matter had been reported at Langata Police Station, the outcome of the investigations had not been communicated.

In the circumstances, it has not been possible to confirm the accuracy and validity of the reported property, plant and equipment balance of Kshs. 2,853,099,079

Management response

515. The payment vouchers were misfiled. They have been located and are now available

Committee's Observations

The Committee observed that;

i. The payment vouchers in support of the purchase of the assets totalling Kshs.48,423,043 relating to a borehole (Kshs.3,966,226); parking bay (Kshs.2,289,800); computers and accessories (Kshs.5,898,000); furniture and equipment (Kshs.2,847,000) and motor vehicle (Kshs. Kshs.33,422,017) were not provided for audit. This was in contravention to section 62 of the Public Audit Act, CAP 412

ii. The management of the society's written response that the vouchers were misfiled contradicted the verbal submission, which indicated that the vouchers had been taken away by some unscrupulous staff with the intention to frustrate the management.

iii. There was no documentary evidence submitted to either confirm that the matter of the missing vouchers was reported at Lang'ata Police Station or to indicate the outcome of the police case.

iv. No documentary evidence was adduced to confirm that any administrative action was taken on the unscrupulous staff members who were frustrating the management by mishandling the documents of the society.

Committee recommendations

The Committee reprimands the then Accounting Officer for dereliction of duty punishable under section 62 of the Public Audit Act CAP 412 B.

4. Inventories

516. The statement of financial position reflects an amount of Kshs.2, 894,020 in respect of inventories which, as disclosed under Note 14 to the financial statements, related to beddings and cutlery. However, stock-taking sheets in support of the balance were not provided for audit. Consequently, it has not been possible to confirm the accuracy and completeness of the reported inventories' balance of Kshs. 2,894,020.

Management Response

517. The management informed the Committee that a stock take exercise was done, and stock take sheets are available.

Committee observation and recommendation

The Committee observed that the matter on inventories was deliberated on in its report for the financial year ending 30th June 2017 and upholds its recommendations therein.

5 **Unreconciled Variance in Receivables**

518. The statement of financial position reflects a receivables balance of Kshs.6, 136, 717 which, as disclosed in Note 15 to the financial statements, comprised deposits refundable and staff debtors of Kshs.827, 525 and Kshs.5, 309,192 respectively. However, the reported receivables balance of Kshs.6,136, 717 differed with the ledger balance of Kshs.7,196,241 by an

unexplained difference of Kshs.1,059,524. Consequently, the accuracy and completeness of the receivables balance of Kshs. 6,136,717 could not be confirmed.

Management response

519. The management informed the Committee that, these were staff motor vehicle loan deductions from payroll which had not been posted. At the finalization of the accounts, the ledger and the account balances were balancing.

Committee observations

The reported receivables balance of Kshs 6, 136,717 differed with the ledger balance of Kshs.7, 196,241 resulting to an unexplained difference of Kshs.1, 059,524. However, the submission by the management that the variance resulted from loan deductions not posted but the final accounts, the ledger and account figures balanced, was misleading since the auditors verified the final accounts and hence the audit query.

Committee recommendation

The Committee reprimands the Accounting Officer for the misleading submission to the Committee. Failure to keep proper records or concealing, or wrongfully destroying, information that is required to be recorded is an offence prescribed and punishable under Section 197 of the PFM Act CAP 412A.

6. Budgetary Control and Performance

520. The Committee heard that society had an approved budget of Kshs.935, 424,000 for recurrent expenditure and OVC development programmes. However, actual expenditure amounted to Kshs. 752, 519,697 resulting in an expenditure of Kshs.182, 904,303 or 19.6%. The under-expenditure may have had a negative impact on service delivery. Further, the Society had an approved project development budget of Kshs. 281,500,000 against an actual expenditure of Kshs.312,026,743 resulting to an over expenditure of Kshs. 30,526,743 or 11%. The Management has not explained the source of the extra funding.

Management response

521. The management informed the Committee that the Society received funds late from the exchequer, i.e, on 28th May 2019 and 24th June 2019, of Ksh 114,856,000 and 119,000,000 respectively, which occasioned the under expenditure 2018/19.

522. The Society did not receive Ksh 300,000,000 as budgeted and fell short by Ksh 18,500,000, thereby giving an over expenditure of 11%. If we had received the full amount of the budget, the over-expenditure would have been within the tolerable limit.

Committee's Observations

i. The society under-spent by Kshs. 182,904,303 or 19.6% on the recurrent budget and overspent on the development budget by Kshs. 30,526,743 or 11%, which negatively impacted the realisation of the envisaged critical public service delivery in the programme.

ii. The management did not provide documentary evidence that the over-expenditure by 11% was procedurally regularized through supplementary budgets pursuant to the provision of Regulation 40 of the PFM (National Government) Regulations 2015 which provides that Prior to incurring any additional expenditure an Accounting Officers shall seek the approval of the National Treasury, and if approval is granted by the Cabinet Secretary it shall be communicated to the Accounting Officers through a notification which shall be copied to the Auditor-General and the Controller of Budget.

Committee recommendations

i. Within three months upon adoption of this report, the Auditor-General to audit all the streams of revenue with the aim of establishing whether the society has been making full disclosure of its revenue and whether the revenues are used for lawful purposes and report in the subsequent audit cycle.

ii. The Committee reprimands the then Accounting Officer for failure to comply with Regulation 40 of the PFM (National Government) Regulations 2015.

7. **Delayed Completion of Projects and Irregular Variations**

523. The reported property, plant and equipment balance of Kshs.2,853,099,079 includes an amount of Kshs. 1,381,433,046 relating to construction works in progress. However, most of

the Projects did not have a specified completion period except the Proposed Foster Care Centre Project in Joska, which had a completion period of 52 weeks from 4 April, 2014. The project had not been completed by the time of the audit in April 2020. In addition, cost variations ranging from 4.7% to 199% from the initial estimated costs of the Projects were noted as analyzed below:

	Project Name	**Initial Project Cost Estimates Kshs.**	**Project Budget Estimates 2018/19 Kshs.**	**Variation Percentage**
1	Proposed Foster Care Centers, CWSK Isiolo	357,000,000	665,052,012	86%
2	Proposed Foster Care Centers, CWSK Nanyuki	394,971,904	613,363,838	55%
3	Proposed Foster Care Centers, CWSK Mama Ngina	258,000,000	593,560,457	130%
4	Proposed Foster Care Centers, CWSK Murang'a	211,000,000	494,866, 167	136%
5	Proposed Foster Care Centers, CWSK Joska	300,000,000	628,766,776	110%
6	Proposed Foster Care Centers, CWSK Bungoma	218,021,007	465,255,303	113%
7	Proposed Foster Care Centers, CWSK Embu	147,432,032	440,752,481	199%
8	Proposed Foster Care Centers, CWSK Kisumu	371,000,000	615,452,481	66%
9	Proposed Foster Care Centers, CWSK Bomet	155,755,914	436,452,481	180%
10	Proposed Foster Care Centers, CWSK Kisii	220,444,635	241,000,000	9%
11	Proposed Foster Care Centers, CWSK Nyahururu	217,800,000	228,000,000	4.7%
12	Proposed Foster Care Centers, CWSK Lodwar	218,250,000	433,252,481	98%
13	Proposed Foster Care Centers, CWSK Baringo	218,100,000	419,252,481	92%
14	Proposed Perimeter Wall CWSK HQS	1,400,000	14,775,000	29.6%

524. No evidence was provided that the procedure and conditions for variation of contracts provided under Section 139 (1), (2), (3), and (4) of the Public Procurement and Asset Disposal Act, 2015 were observed. In addition, the contract price for some of the Projects had increased by more than 25% contrary to Section 139(5) of the Public Procurement and Asset Disposal Act, 2015 which provides that where variations result in an increment of the contract price by more than twenty-five percent, such variations shall be tendered for separately. Further, the

stalled projects and uncertainty in project completion timelines may lead to further cost escalations.

525. In the circumstances, the Society was in breach of the law, and the regularity and value for money on the expenditure could not be confirmed.

Management response

a) The projects have been progressing as per the availability of funds. The trustees are working hard to ensure that projects are seen through to completion in the shortest time possible

b) There was no variation of the projects cost. There is no BQ for any given site as a whole. Every unit within the site has its own BQ e.g. bungalow, marionette, school, kitchen, stores admin block, perimeter wall etc. The projects are implemented in phases depending on the need and availability of funds. The initial project costs included only units to be started at the time and did not include units that were to be developed later at the site as a whole. The current costs indicated do not imply cost increment or variation, but rather the inclusion of additional units

Committees Observations

The Committee observed that;

i. The assertion by the management that every unit within the site has its own Bills of Quantity (BQ)e.g. bungalow, marionette, school, kitchen, stores administration block, perimeter wall hence there is no BQ for any given site as a whole was not convincing and an indication of poor projects' planning, management and implementation.

ii. The contract price for some of the Projects had increased by more than 25% contrary to Section 139(5) of the Public Procurement and Asset Disposal Act, 2015, which provides that where variations result in an increment of the contract price by more than twenty-five percent.

iii. The delay in implementation of the capital projects by the Society exposes them to risks of escalation of the costs on account of fluctuation in inflation rates, exchange rates, penalties and fines for contravening contractual timelines obligations.

Committee recommendations

i. Within three months upon adoption of this report, the Accounting Officer should prepare and submit to the National Assembly and Auditor-General a report on all the capital projects in question, planned completion timelines and the respective costs to completion and accompany the same with contract documents, certified works done by the department of Public works and the certificate of completion for each of the said capital projects. The Auditor-General should review and report the status in the subsequent Audit cycle.

ii. Within three months upon adoption of this report, EACC should investigate how the procurement of the projects were done, any irregularities and related financial loss, and submit the report to the National Assembly. Further, if any officer is found culpable for the nugatory expenditure, he/she should be held personally liable for any loss of public funds. DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

8. Non-Compliance with Reporting Guidelines

526. The Committee heard that the Progress on follow-up of audit matters reported in the prior year was not provided in the financial statements, contrary to the reporting guidelines issued by the Public Sector Accounting Standards Board (PSASB).

Management response

527. The management informed the Committee that they have since implemented the auditor's recommendations.

Committee Observations

The Committee observed;

i. The society did not provide the progress on follow-up of audit matters in the prior year, contrary to the reporting guidelines issued by the Public Sector Accounting Standards Board (PSASB).

ii. Consequently, it could not be reviewed to what extent the audit issues raised had been addressed.

Committee's recommendations

The Committee reprimands the then Accounting Officer for contravening the reporting guidelines issued by the Public Sector Accounting Standards Board (PSASB).

9. Lack of Board of Directors

528. The Committee heard that Section 70 of the Child Welfare Society of Kenya Order, 2014 provides that the Management of the Society shall be vested in a Non-Executive Board consisting of a Chairman and six (6) Members with the Chief Executive Officer of the Society as the Secretary. However, during the financial year 2018/2019, the Society operated without a Board of Directors.

Management response

529. The management informed the Committee that the delay in the appointment of the Board was a result of the conflict of operations of the Legal Order No. 58 of 2014 and the Trustee deed.

Committee Observations and Recommendations

The Committee observed that the issue of the Lack of Board directors in its report for the financial year ending 30th June 2018 and upholds its recommendations therein.

10. Non-Appointment of an Audit Committee

530. The Committee heard that, the Society did not have an Audit Committee as required under Section 73(5) of the Public Finance Management Act, 2012, which provides that every national government public entity shall establish an Audit Committee whose composition and functions shall be as prescribed by the Regulations. The Audit Committee forms a key component in the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit to the top Management.

531. In the circumstances, the effectiveness of the internal controls, risk management and overall governance for the Society could not be confirmed.

Management response

532. The Management informed the Committee that, Legal Order No. 58 of 2014 created a conflict between State Corporation and Child Welfare Society of Kenya irrevocable trust deed therefore interfering with the normal operations of the trust. This is being resolved as the Legal order is awaiting de-gazettement. The Board of Directors is now in place.

Committee's Observation and Recommendations

The Committee observed that the issue on non-appointment of Audit committee was deliberated on its report for the financial year ending 30th June 2016 and upholds its recommendations therein.

11. Inadequate Information Technology (IT) Internal Controls

533. The Committee heard that, the society did not have an IT Strategic Committee, a formally approved IT Security Policy, an IT Continuity Plan and a Disaster Recovery Plan. Non-establishment of an IT Strategic Committee at the Board level may have resulted in IT governance not being addressed adequately. In addition, data confidentiality, integrity and availability as well as continuity of operations in case of a disaster could not be confirmed.

Management response

534. The management informed the Committee that, an approved IT Policy, IT continuity plan and Disaster Recovery plan are now in place.

Committee's Observation and recommendations

The Committee observed that the matter on inadequate IT Internal Controls was deliberated on its report for the financial year ending 30th June 2018 and upholds its recommendations therein.

Signature..**Date** 13/08/25 ....

HON. EMMANUEL WANGWE CBS, MP

CHAIRPERSON – PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION AND AGRICULTURE

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 13 AUG 2025 DAY.
TABLED BY:
CLERK-AT THE-TABLE:

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – (FOURTH SESSION 2025)

THE NATIONAL ASSEMBLY

PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES ADMINISTRATION & AGRICULTURE

DIRECTORATE OF AUDIT, APPROPRIATIONS AND GENERAL PURPOSE COMMITTEES

COMMITTEE MEMBERS REPORT WRITING ADOPTION LIST

No.	NAME	DATE	SIGN
1.	Hon. Emmanuel Wangwe, MP, CBS – Chairperson		
2.	Hon. Caleb Amisi Luyai, MP – Vice Chairperson		
3.	Hon. Ferdinand Kevin Wanyonyi, MP		
4.	Hon. Martin Peters Owino, MP		
5.	Hon. (Amb.) Benjamin Langat Kipkirui, MP		
6.	Hon. Nicholas Ngikor Ngikolong, MP		
7.	Hon. (Dr.) Lilian Gogo, MP		
8.	Hon. Fatuma Jehow Abdi, MP		
9.	Hon. Joshua Kivinda Kimilu, MP	13/6/25	
10.	Hon. Umulker Sheikh Kassim, MP	13/6/25	
11.	Hon. Caleb Mule Mutiso, MP		
12.	Hon. (Dr.) Jackson Kipkemoi Kosgei, MP		
13.	Hon. Michael Wambugu Wainaina, MP		
14.	Hon. Paul Nabuin Ekwom, MP		
15.	Hon. Elijah Njore Kururia, MP		