REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL SOCIAL SECURITY FUND

FOR THE YEAR ENDED
30 JUNE, 2022

REPUBLIC OF KENYA

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Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk Management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Social Security Fund set out on pages 1 to 52, which comprise of the statement of net assets available for benefits as at 30 June, 2022, and the statement of changes in net assets available for benefits, statement of changes in accumulated members' funds, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Social Security Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the National Social Security Fund Act, 2013.

Basis for Qualified Opinion

1. Variances in Opening Balances

The opening balances for two (2) items reflects a total of Kshs.323,024,763 while the audited closing balances reflected a total of Kshs.323,161,185 for same items resulting to 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**	

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

2. Unsupported Salaries and Allowances

The statement of changes in net assets available for benefits reflects 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 amount of Kshs.3,117,840,121. However, the supporting ledgers reflects an amount of Kshs.3,145,463,745 resulting to an unreconciled variance of Kshs.27,623,624.

In the circumstances, the accuracy of the salaries and allowances of Kshs.3,117,840,121 could not be confirmed.

3. Non-Performing Investment in Unquoted Equities

The statement of net assets available for benefits reflects unquoted stocks balance of Kshs.466,465,299 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 investment worth Kshs.408,752,504 as shown below;

Company	Number of Shares	Value (Kshs.)
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**

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.

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

4. Investment in Non-Performing Quoted Equities

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 in three (3) quoted companies as detailed below;

Company	Number of Shares	Price as at 30 June, 2022 (Kshs.)	Value (Kshs.)
Athi River Mining Company	2,957,500	5.55	16,414,125
East African Portland Cement Company	24,300,000	8.00	194,400,000
Sameer Africa Company	2,838,776	3.80	10,787,349
Total			**221,601,474**

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 Trustees.

Further, Athi River Mining was set for liquidation by September, 2021 and eventually delisting from the Nairobi Securities Exchange (NSE) 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 8 May, 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 debt of Kshs.6 billion. 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. Further, 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 on the availability of key products for its tyre business.

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

5. Non-Performing Investment in Hazina Plaza - Polana Mombasa Building

The statement of net assets available for benefits and as disclosed in Note 29 to the financial statements reflects 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 of 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. 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.

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.

6. Misstatement of Assets Under Construction

The statement of net assets available for benefits reflects assets under construction balance of Kshs.154,985,746 as disclosed in Note 30 to the financial statements. The balance is a net off an amount of Kshs.105,158,476 reported under Tassia Scheme which relates to costs incurred by the Fund in undertaking feasibility studies on 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 recognize the impairment.

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

7. Unconfirmed Tax Receivables

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 tax receivables amount of Kshs.935,901,481 relating to tax refund comprising of overpaid tax of Kshs.493,257,328 and Kshs.411,646,389 totalling 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 acknowledgement from the Authority. Further, the tax receivables balance of Kshs.935,901,481 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.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

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 of the approved budget.

The under-utilization of approved budget and under receipt of revenue may have negatively affected service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved or disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board (PSASB) reporting templates. Management has also not provided reasons for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

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. The Fund total expenses exceeded the allowable limit of Kshs.5,714,457,299 (2% of Fund's net 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 total Fund assets.

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

2. Acting Positions Beyond the Allowable Period

The statement of changes in net assets available for benefits reflects staff cost of Kshs.3,839,298,069 as disclosed in Note 13 to the financial statements. Included in the staff cost is acting allowance amount of Kshs.10,733,021 paid to officers on various acting positions. However, some of the staff holding the acting appointments, including Senior Management, had served for more than one year. 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.

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

3. Non-Compliance with the Unclaimed Financial Assets Act, 2011

The statement of net assets available for benefits reflects payables and accruals balance of Kshs.3,592,512,207 as disclosed in Note 32 to the financial statements. The balance includes returned benefits of Kshs.166,826,982 for unclaimed member benefits that have been outstanding for a long period of time and was not submitted to the Unclaimed Financial Assets Authority. This was contrary Section 20 (1) and 22 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 filing 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.

4. Irregular Board Allowances

The statement of changes in net assets available for benefits and as disclosed in Note 14 to the financial statements reflects general administrative cost of Kshs.2,639,450,386 which includes trustee emoluments of Kshs.29,241,145. 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 as recommended on 1 November, 2011 by the then Minister for Labour. However, there was no approval by the State Corporation Advisory Committee (SCAC), the Public Service Commission (PSC), The National Treasury and the Salaries and Remuneration Commission (SRC).

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Under Staffing

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 under staffing of three hundred (300). Further, fifty-eight (58) positions did not have permanent employees including some in critical business functions.

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

2. Delays in Processing of Members Benefits

Review of the benefits processing system revealed that 18,025 benefit claims were pending as at the close of the financial year, with the 7,113 (40%) of the delays arising from 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 were not able to access their money in time to cater for their basic and other needs due to the delay in claims processing.

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

3. Unremitted Member Contributions

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 of 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 Intergovernmental Relations Technical Committee (IGRTC) for cases involving County Governments are in progress, the process was not successful.

In the circumstances, the effectiveness of the internal controls system with regard to debt recovery and management could not be confirmed.

4. Contributions in Suspense Account

Review of members contribution 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 employer's bank accounts and the Fund's collection system, leading to delays in updating of members accounts with their deposits. 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.

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

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

Responsibilities of Management and the Board of Trustees

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using applicable basis of accounting unless Management is aware of the intention to dissolve the Fund or to cease operations.

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 May, 2023

XIII. STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Kes	2021 Kes
Dealings with Members			
Contributions Receivable	6	15,915,480,093	14,472,520,612
Benefits Payable	7	(5,430,388,800)	(5,896,203,691)
Net Surplus from dealings with members		**10,485,091,293**	**8,576,316,921**
RETURN ON INVESTMENTS			
Investment Income	8	26,817,167,282	21,635,960,454
Fair value gain/(loss) on revaluation of Investments	9	(29,202,140,726)	11,547,732,218
Gain/(loss) on realisation of investments	10	(151,199,468)	58,895,311
Investment Management Expenses	11	(615,789,515)	(508,604,076)
Net Investment Income		**(3,151,962,427)**	**32,733,983,907**
Other Income	12	753,443,329	92,433,789
Total Net Income		**(2,398,529,097)**	**32,826,417,696**
Less: Operating Cost			
Staff cost	13	3,839,298,069	3,911,600,568
General administrative cost	14	2,639,450,386	2,527,523,139
Provisions	15	371,576,471	129,778,343
Total operating cost		**6,850,324,926**	**6,568,902,050**
Increase in net assets for the year		**1,236,237,270**	**34,833,832,567**
As previously reported		284,486,978,670	249,653,146,103
Prior year adjustment		-	-
As restated		**284,486,978,670**	**249,653,146,103**
Net Assets as at 30 June		**285,722,864,940**	**284,486,978,670**

XIV.STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 30 JUNE 2022

	Note	2022 Kes	2021 Kes
ASSETS			
Cash and bank balances	16	1,019,225,791	571,000,978
Call and Fixed Deposits	17	10,087,418,200	8,369,320,000
Government Securities-(Treasury bills)	18	1,626,492,637	1,210,396,800
Government Securities-(Treasury bonds)	19	161,196,499,180	152,940,388,443
Corporate bonds	20	1,752,204,250	1,088,144,566
Accrued Income	21	6,733,192,058	4,812,348,744
Stores and Supplies	22	12,860,566	79,304,872
Receivables and Prepayments	23	7,465,104,760	4,072,961,233
Staff Loans	24	189,975,157	230,590,974
TPS Loans	25	3,103,258,402	3,644,620,906
Staff Mortgage Scheme	26	1,258,167,866	1,227,421,830
Unquoted Stocks	27	466,465,299	445,204,638
Quoted Stocks	28	57,804,630,700	66,655,124,043
Investment property	29	35,414,340,317	34,727,067,942
Assets under construction	30	154,985,746	5,152,734,819
Property, plant and equipment	31	1,030,556,216	691,688,029
		289,315,377,146	**285,918,318,,817**
LIABILITIES			
Payables and accruals	32	(3,592,512,207)	(1,431,691,147)
NET ASSETS		**285,722,864,940**	**284,486,978,670**
REPRESENTED BY			
FUND BALANCE		**285,722,864,940**	**284,486,978,670**

The financial statements were approved by the Board on ______________ 2022 and signed on its behalf by:

CPA Marietta Mutinda	David Mwangangi	Anthony Muriuki Munyiri
AG. FINANCE MANAGER	**AG. MANAGING TRUSTEE/CEO**	**CHAIRMAN, BOARD OF TRUSTEES**
ICPAK 6710		
25/04/2023	25/4/2023	
Date	**Date**	**Date**

XV. STATEMENT OF CHANGES IN ACCUMULATED MEMBERS' FUNDS AS AT 30 JUNE 2022

	Members' Funds Kes	Accumulated Reserves Kes	Total Kes
Balance as at 30 June 2016	**151,018,651,371**	**21,067,697,685**	**172,086,349,056**
Prior Year Adjustments	591,602,152	-	591,602,152
Net Increase/(Decrease) in Net Assets	9,885,860,827	14,010,648,094	23,896,508,921
Balance as at 30 June 2017	**161,496,114,350**	**35,078,345,778**	**196,574,460,129**
Correction of erroneous previous year contribution accrual	(591,602,152)	-	(591,602,152)
Net Increase/(Decrease) in Net Assets	10,255,409,092	15,491,367,420	25,746,776,512
Balance as at 30 June 2018	**171,159,921,291**	**50,569,713,198**	**221,729,634,489**
Prior year adjustment Impairment of Kitisuru Roads	-	(36,432,620)	(36,432,620)
Net Increase/(Decrease) in Net Assets	10,163,269,208	3,214,332,010	13,377,601,218
Balance as at 30 June 2019	**181,323,190,499**	**53,747,612,588**	**235,070,803,089**
Actuarial valuation adjustment as at 30 June 2020	41,878,212,590	(41,878,212,590)	-
Net Increase/(Decrease) in Net Assets	10,299,022,671	4,283,320,342	14,582,343,014
Balance as at 30 June 2020	**233,500,425,761**	**16,152,720,340**	**249,653,146,103**
Net Increase/(Decrease) in Net Assets	8,576,316,921	26,257,164,646	34,833,481,567
Balance as at 30 June 2021	**242,076,742,681**	**42,409,884,987**	**284,486,627,670**
Net Increase/(Decrease) in Net Assets	10,485,091,293	(9,249,854,023)	1,236,237,270
Balance as at 30 June 2022	**252,561,833,974**	**33,161,030,964**	**285,722,864,940**

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Kes	2021 Kes
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in assets		1,236,237,270	34,833,481,567
Adjustments:			
Depreciation on ppe	31	231,286,437	267,877,509
Amortisation of intangible assets	31	244,759,167	64,789,762
(Gain)/loss on disposal of property, plant and equipment		-	(35,535,775)
Increase/(decrease) in provisions	15	371,576,471	129,778,343
Fair value gain/(loss) on revaluation	10	29,202,140,726	(11,547,732,218)
Operating surplus/(deficit) before working capital changes		**31,285,649,071**	**23,712,659,187**
Changes in Working Capital:			
Decrease/(increase) in inventories	22	66,444,306	1,659,174
Decrease/(increase) in debtors & prepayments	23	(3,392,143,527)	(384,136,335)
Decrease/(increase) in accrued income	20	(1,920,843,314)	1,271,418,226
increase/(decrease) in payables and accruals	32	2,160,821,059	(397,652,995)
		(3,085,721,476)	491,288,969
Net cash flows generated from operating activities		**28,200,278,596**	**24,203,947,257**
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement/withdrawal of deposits with financial institutions	17	(1,748,844,235)	7,051,083,411
Purchase/sale or redemption of Treasury bills	18	(416,095,837)	792,284,695
Purchase/sale or redemption of Treasury bonds	19	(17,205,890,335)	(30,435,003,537)
Purchase/sale or redemption of corporate bonds	20	(846,970,105)	272,100,000
Purchase/sale of unquoted equities	27	(21,260,662)	(20,161,004)
Purchase/sale of quoted equities	28	(7,649,782,437)	(656,763,649)
Purchase, development/sale of land and buildings	29	303,227,625	226,789,337
Assets under construction	30	(490,053,193)	(1,054,305,362)
Purchase/sale of property, plant and equipment	31	(283,038,526)	(195,591,449)
Receipts from TPS and other loans		606,653z,922	320,824,266
Net cash flows from investing activities		**(27,752,053,783)**	**(23,698,743,293)**
Net increase/(decrease in cash and cash equivalents		448,224,813	505,203,963
Cash and cash equivalents as at 1 July		571,000,978	65,797,015
Cash and cash equivalents as at 30 June		**1,019,225,791**	**571,000,978**

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual	Performance difference	%	Management comments
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022		
	Kes	Kes	Kes	Kes	Kes		
Revenue:							
Contribution	20,400,000,000	-	20,400,000,000	15,915,480,093	(4,484,519,907)	(22)	*The negative variance of 22% recorded in contribution is attributed to Covid-19 which affected most industries leading to lay off and closures as well delayed unlocking of Act which we anticipated to take effect in the current year.*
Benefits	(7,505,000,000)	-	(7,505,000,000)	(5,430,388,800)	2,074,611,200	(28)	*The Fund budgeted Kshs.7.5 billion to be paid as benefits during the year under review and management to pay Kshs. 5.4 billion which is an impressive performance given the operational challenges presented by the Covid-19 pandemic. Nevertheless, that performance was 28% below target.*
Net Dealings	**12,895,000,000**	**-**	**12,895,000,000**	**10,485,091,293**	**(2,409,908,707)**	**(19)**	
Dividend income	2,100,000,000	-	2,100,000,000	3,793,883,752	1,693,883,752	81	*The Fund budgeted to earn Kshs. 2.1 billion in the year under review. The Fund managed to collect Kes 3.8 billion cash flow challenges, and future uncertainty made many companies to hold on and not declare or declare a very conservative dividend to the detriment of investors. Case in point is Equity bank which recalled an earlier declared dividend and the rest of the banking sector issuing dividend warnings to investors.*
Interest income	19,283,000,000	-	19,283,000,000	21,271,191,329	1,988,191,329	10	*positive variance was driven by shifting of Fund from variable rate to fixed income where its more definite. The fund managers shifted from stocks to Treasury Bonds and Bills.*
Rent income	1,345,837,344	-	1,345,837,344	1,333,363,770	(12,473,574)	(1)	*Unfavourable variance was due to reduced occupancy level in our rental properties especially with departure of government institutions and other small medium organisation. However, the Fund is working on to replace the vacant office space.*
TPS interest income	679,500,000	-	679,500,000	353,151,404	(326,348,596)	(48)	*Underperformance was due to delay in uptake of Milimani Executive Flats which were factored in, however we anticipate this will improve by the end of year when economy picks.*

Unrealised gain on investments	3,885,040,324	-	3,885,040,324	(29,202,140,726)	(33,087,181,050)	(852)	*The negative positive variance was brought about by the unfavourable price movement of equities and bonds at the Nairobi Securities Exchange.*
Realised gain on investments	100,000,000	-	100,000,000	(151,199,468)	(251,199,468)	(251)	*The negative realised gain was due to disposal of assets by Fund managers with aim of hedging.*
Other Investment Income	50,000,000	-	50,000,000	65,577,027	15,577,027	31	
Other income	579,147,000	-	579,147,000	753,433,329	174,286,329	30	*the favourable variance was due to incomes from disposal and insurance recoveries as well as interest on our operating accounts*
Total Income	**40,917,524,668**	**-**	**40,917,524,668**	**8,702,351,710**	**(32,215,172,958)**	**(79)**	
Expenses:							
Management investment expense	633,946,000	-	633,946,000	615,789,515	18,156,485	3	*The low absorption was due reduced activities in both capital and money markets by the service providers occasioned by Covid- 19 pandemic*
Compensation of employees	4,086,576,457	-	4,086,576,457	3,839,298,069	247,278,388	6	*Job evaluation and salary review of union staff anticipated to be implemented in the current year has been delayed, however its is in final stages hence we anticipate the variance will be very low if any by the end of the year.*
Trustee' Emoluments	30,000,000	-	30,000,000	29,241,145	758,855	3	*Under absorption was due to reduced activities and sittings*
General administration cost	2,580,877,533	-	2,580,877,533	2,100,966,808	479,910,725	19	*Covid-19 curtailed most programmes which were planned in the year hence under absorption of the funds.*
Finance Expense	25,000,000	8,000,000	33,000,000	33,196,828	(196,828)	(1)	*over expenditure was due to increase bank fees brough by excise duty on transactions*
Depreciation & amortization	133,813,986	-	133,813,986	476,045,604	(342,231,618)	(256)	*The high absorption was occasioned by capitalisation of ICT related projects which were under constructions.*
Provision	-	-	-	371,576,471	(371,576,471)	(100)	*This has been occasioned by increase in Rental and TPS debtors due to Covid 19.*
Total Expenditure	**7,490,213,976**	**8,000,000**	**7,498,213,976**	**7,466,114,440**	**137,258,012**	**2**	
Surplus for the period	**33,427,310,692**	**(8,000,000)**	**33,419,310,692**	**1,236,237,270**	**(32,183,073,422)**	**(96)**	

Capital Budget Absorption 2021-2022

	Original budget	Adjustments	Final budget	Actual on comparable	Performance difference	%	*Management comments*
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022		
	Kes	Kes	Kes	Kes	Kes		
Refurbishment - Investment Buildings	100,000	-	100,000	-	100,000	100	*Binders who tendered non met the requirements of the required scope of works*
Proposed Machakos Housing	700,000	-	700,000	-	700,000	100	*The project never kicked off*
Proposed Kisumu Housing	500,000	-	500,000	-	500,000	100	*The project never kicked off*
CCTV Social Security House Nairobi	125,000	-	125,000	-	125,000	100	*Binders who tendered non met the requirements of the required scope of works*
Network upgrade	20,000	-	20,000	0	20,000	100	*Binders who tendered non met the requirements of the required scope of works*
Server Upgrade	50,000	-	50,000	37,000	13,000	26	*Part of works Binders who tendered non met the requirements of the required scope of works*
Social Security System Upgrade/Replacement	200,000	-	200,000	0	200,000	100	*The project never kicked off*
Back Up Solution and Penetration Testing	20,000	-	20,000	0	20,000	100	*The project never kicked off*
Secure WIFI	15,000	-	15,000	14000	1,000	7	*work in progress*
SAP Improvements	60,000	-	60,000	0	60,000	100	*The project never kicked off*
EDMS (Electronic Document Management System)	100,000	-	100,000	0	100,000	100	*The previous contract was yet to be finalised for a new one to be commenced*
Motor Vehicle	30,000	-	30,000	20000	10,000	33	*work in progress*
IT equipment	25,000	-	25,000	22050	2,950	12	*work in progress*
Furniture	10,000	-	10,000	7500	2,500	25	*work in progress*
Equipment's	10,000	-	10,000	8000	2,000	20	*work in progress*
Fitting & Finishing	5,000	-	5,000	1500	3,500	70	*work in progress*
Totals	**1,970,000**	**-**	**1,970,000**	**110,050**	**1,859,950**	**94**	

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these standards comply with, the importance that the budgetary information would provide to the users of the statements and the fact that public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

National Social Security Fund is established by and derives its authority and accountability from National Social Security Fund Act, 2013. The NSSF is wholly owned by workers who are members and contributors to the Fund. The Fund is domiciled in Kenya and its principal activity is provision of social security to workers in Kenya.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on fair value basis except for the measurement at historical cost of items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 2015, Income Tax Act (Revised) 2012 and the National Social Security Fund Act 2013, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

3. Application of New and Revised International Financial Reporting Standards (IFRS)

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate	The amendments are effective for annual periods beginning on or after January 1, 2022.

Title	Description	Effective Date
Contract (issued in May 2020)	directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Board of Trustees have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Application of New and Revised International Financial Reporting Standards (IFRS)

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **material** accounting policy information rather than their **significant** accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Board of Trustees does not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

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

Notes to the Financial Statements (Continued)
4. Summary of Significant Accounting Policies

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

a) **Revenue recognition**

Revenue is measured based on the consideration to which the Fund expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognizes revenue when it transfers control of a product or service to a customer.

i) **Contributions from employers/employees-** Comprises statutory and other payments due to NSSF under the National Social Security Fund Act, 2013 (i.e. contributions towards the Pension Scheme, Old and New Provident Funds. Statutory contributions are accounted for in the year they are due to the Fund while Voluntary contributions are accounted for in the year they are received.

ii) **Interest income** comprises of interest receivable from bank deposits and investment in securities and is recognized in Statement of Changes in Net Assets Available for Benefits on a time proportion basis using the effective interest rate method.

iii) **Dividend income** is recognized in the Statement of Changes in Net Assets Available for Benefits in the year in which the right to receive the payment is established.

iv) **Rental income** is recognized in the Statement of Changes in Net Assets Available for Benefits as it accrues using the effective lease agreements.

v) **Other income** is recognized as it accrues.

vi) **Tenant Purchase Scheme and Loan Advances-** accrue from financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides loans, money or services directly to debtors with no intention of trading the receivables. All loans and receivables fall under this category and are stated at amortized costs. Receivables which do not carry interest rate are stated at their invoice amount.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in Statement of Changes in Net Assets Available for Benefits.

c) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use for a period of 3 years.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

The annual rates in use are:

Annual Rates	%
Buildings and civil works	Nil
Freehold Land and Buildings	Revaluation
Motor Vehicles, including motorcycles	20
Computers and related equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20
Low Value Assets	100

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on *prorata* basis. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use for a period of 3 years.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)
Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments
Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments
Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories
Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables
Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) **Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) **Borrowings**
Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

r) **Trade and other payables**
Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

s) **Retirement benefit obligations**
The entity operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered under a separate pension scheme from the Fund run by an independent Board of Trustees and is funded by contributions from both the Fund and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 320 per employee per month.

t) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

u) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

v) Budget information

The original budget for FY 2021-2022 was approved by the Cabinet Secretary Ministry of Labour and Social Protection on 29 November, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

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

c) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

Notes to the Financial Statements (Continues)

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6 CONTRIBUTIONS	2022 Kes	2021 Kes
Pension Contribution	15,258,931,120	13,208,708,768
Old provident	37,838,081	70,741,465
New Provident	653,501,538	580,763,574
Fines and penalties	-	379,511,898
Gross contribution for the year	**15,950,270,739**	**14,239,725,704**
Add: Accruals at end of the year	916,103,182	950,893,829
Less: Accruals at start of the year	(950,893,829)	(718,098,920)
Net contribution for the period	**15,915,480,093**	**14,472,520,612**

These amounts relate to contributions remitted to the Fund in respect of both provident and pension funds. However, the contributions receivable estimated to be Kes. 8 635 342,199 have not been included in the financial statements. This comprises of mandatory contributions of Kes. 1,959,029,448 and penalties of Kes. 6,676,312,751. These contributions are based on estimates made on employer and the outstanding penalty is estimated based on previous late payments. The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

7 BENEFITS		
Age benefit	3,655,086,339	4,167,622,521
Survivors benefit	499,731,627	399,107,884
Invalidity benefit	13,143,417	11,422,143
Withdrawal benefit	1,220,036,655	1,294,878,947
Emigration benefit	39,320,761	19,797,196
Funeral grant	3,070,000	3,375,000
Net benefits for the period	**5,430,388,800**	**5,896,203,691**

A total of 88,164 benefit claims were processed and paid during the year. The amount reported combines the principal and interest components.

Notes to the Financial Statements (Continued)

8 INVESTMENT INCOME

Interest Income (note 8a)	21,271,191,329	18,763,912,464
Dividend Income (note 8b)	3,793,883,752	1,296,423,017
Rent Income (note 8c)	1,074,455,408	861,994,034
Parking Fees (note 8e)	110,265,487	119,625,684
Notional Rent (8d)	141,348,600	141,348,600
Mast Rent (8f)	7,294,275	5,170,283
Interest on TPS loans (note 8g)	353,151,404	407,089,726
Other Investment Income (note 8h)	65,577,027	40,045,647
	26,817,167,282	**21,635,609,454**

The Fund earned Kes 26.82 billion gross investment income, or 24% more than the previous year. This was an impressive performance considering the effects of Covid-19. However, the Fund's management remains cautious as it monitors the situation going forward.

8a INTEREST INCOME

Treasury bonds	20,532,063,328	17,965,881,632
Corporate bonds	110,569,010	124,734,473
Treasury bills	168,027,728	71,405,381
Call & Fixed deposits	460,531,263	601,890,978
	21,271,191,329	**18,763,912,464**

Increase in interest earned is as a result of increased investment in treasury bonds, treasury bills and corporate bonds.

8b DIVIDEND INCOME

Bamburi Cement Ltd	231,063,725	176,678,820
Absa Bank Kenya Plc	160,675,341	-
British American Tobacco Kenya Ltd	109,888,896	100,086,120
CFC Stanbic of Kenya Holdings Ltd	41,116,098	8,123,074
East African Breweries Ltd	133,410,278	-
I&M Holdings Ltd	5,769,600	4,327,200
Kenya Commercial Bank Ltd	829,307,927	265,697,909
Kenya Power 4% Pref 20.00	1,420	1,050
Kenya Power 7% Pref 20.00	525	2,840
NCBA Bank Ltd	65,838,248	36,232,371
Safaricom Ltd	1,072,604,564	337,664,710
The Co-operative Bank of Kenya Ltd	171,356,823	140,951,024
Jubilee Holdings Ltd	1,353,450	870,075
Kenya Re Insurance Corporation Ltd	9,057,933	18,115,866
Equity Bank Ltd	656,350,938	-
Diamond Trust Bank Kenya Ltd	30,139,114	
Nation Media Group Ltd	7,514,370	-
KenGen Co. Ltd	62,917,811	115,899,319
Centum Investment Co Ltd	1,942,314	-
Standard Chartered Bank Kenya Ltd	143,649,495	66,666,962
Stanlib Fahari I-REIT	16,166,950	19,400,340
MTN Uganda	5,862,340	-
Umeme Ltd	37,331,181	5,705,338
Stanbic Bank Uganda	564,412	-
	3,793,883,752	**1,296,423,017**

Dividend income for the year increased by 193% of resumption of companies in declaration of dividends after the recovery from Covid 19 pandemic effects. Many companies had given dividend warnings because of suppressed economic activity due to Covid-19 pandemic in the previous year.

Notes to the Financial Statements (Continued)

		2022 Kes	2021 Kes
8c	**RENT INCOME**		
	SSH Nairobi	568,244,615	413,323,614
	SSH Mombasa	108,270,352	99,036,260
	Bruce House	139,041,667	131,622,478
	View Park Towers	134,541,209	99,107,422
	Hazina Towers	63,358,758	65,803,831
	Hazina Trade Centre	47,402,235	41,918,158
	Hazina South B	12,777,572	11,182,270
	Kisumu Milimani	819,000	-
		1,074,455,408	**861,994,034**

Rent income increased by 25% during the year mainly because of increased occupancy witnessed as the economy recovers from the effect of Covid 19 Pandemic and letting out of Hazina Trade Centre which was under construction.

8d	**PARKING FEES**		
	SSH Nairobi	44,692,580	54,155,100
	SSH Mombasa	5,748,300	5,169,900
	Bruce House	19,094,000	16,503,000
	View Park Towers	4,470,000	5,100,000
	Hazina Towers	8,389,128	4,412,333
	Hazina Trade Centre	24,400,143	17,813,799
	Kenyatta Avenue	3,471,336	16,471,551
		110,265,487	**119,625,684**

The 8% decline in parking fees is due to reduced walk in clients at the Parking Silo because parking spaces were allocated to tenants who paid monthly rates which are lower than hourly rates.

8e	**NOTIONAL RENT**		
	SSH Nairobi	126,043,680	126,043,680
	SSH Mombasa	7,500,480	7,500,480
	Bruce House	7,123,200	7,123,200
	View Park Towers	389,760	389,760
	Hazina Towers	291,480	291,480
		141,348,600	**141,348,600**

8f	**MAST INCOME**		
	SSH Nairobi	1,155,000	2,096,106
	SSH Mombasa	1,800,000	824,679
	View Park Towers	2,177,280	909,478
	Hazina Towers	1,759,428	1,340,020
	Hazina Trade Centre	402,567	-
		7,294,275	**5,170,283**

8g	**INTEREST FROM TPS LOANS**		
	Staff	40,878,851	46,503,224
	Other Customers	312,272,553	360,586,503
		353,151,404	**407,089,726**

The reduction on interest earned from Tenant Purchase Scheme (TPS) of 16% is as a result of reduced TPS loans by 13 % as a result of repayment mainly Nyayo Embakasi Estate.

		2022	2021
8h	**OTHER INVESTMENT INCOME**	**Kes**	**Kes**
	Profit on Sale of Houses	54,872,376	35,535,775
	Commission and Rebates	6,055,676	964,376
	Miscellaneous Interest	3,455,210	3,388,350
	Imperial bank recovery	157,146	157,146
	Board Fees	1,036,620	-
		65,577,027	**40,045,647**

9	**FAIR VALUE GAIN ON REVALUATION**		
	Corporate bonds	782,988	(39,360,316)
	Treasury bonds	(8,949,776,598)	(1,779,399,057)
	Unquoted equities	-	(88,929,221)
	Quoted equities	(16,500,274,750)	13,454,920,812
	Investment property	(3,752,869,367)	500,000
		(29,202,140,726)	**11,547,732,218**

The Fund's investments experienced a slump performance yielding a negative valuation of treasury bonds and equities resulting in a valuation loss of Kes. 25.5 billion. The Fund's assets are marked to market in accordance to IFRS with IFRS 13 and IAS 26. Being a long-term investor, the situation is expected to correct in the long term.

10	**GAIN ON REALISATION OF INVESTMENTS**		
	T bonds	214,923,619	(113,568,763)
	C bonds	-	(39,311,478)
	Listed equities	(366,123,087)	211,775,552
		(151,199,468)	**58,895,311**

11	**INVESTMENT MANAGEMENT EXPENSE**		
	Fund managers' fees	414,552,728	319,164,172
	Custodian fees	103,319,977	89,234,020
	Actuarial & investment management fees	38,351,507	30,956,539
	Land rent & rates	8,616,573	45,092,232
	Asset valuation expense	20,963,600	19,157,113
	RBA Levy	5,000,000	5,000,000
	Estate Management Costs	24,985,130	-
		615,789,515	**508,604,076**

12	**OTHER INCOME**		
	Profit on sale of PPE	-	35,535,775
	Miscellaneous Income	23,276,307	6,754,489
	Interest on staff loans	41,984,768	37,015,471
	Fines and penalties	537,822,780	4,909,234
	Miscellaneous expenses recovered	4,293,964	8,218,821
	Decrease in provision for leave pay	47,906,056	-
	Write back of returned benefits	98,149,454	-
		753,433,329	**92,433,789**

Other income represents miscellaneous receipts earned by the Fund mainly from penalties charged on late remittance of member contributions by employers, interest charged on staff loans, fines charged on customers who issue unpaid cheques, reduction in provision for leave pay, write back of returned benefits and other miscellaneous charges.

Notes to the Financial Statements (Continued)

		2022 Kes	2021 Kes
13	**STAFF COST**		
	Salaries and Allowances	3,117,840,121	3,118,060,992
	Pension and Gratuity	367,277,170	359,327,364
	Medical Expenses	261,498,509	287,442,670
	Staff Welfare	63,063,859	57,339,138
	Insurance	29,618,411	33,421,424
	Increase in provision for leave pay	-	56,008,980
		3,839,298,069	**3,911,600,568**
	Average number of employees at the end of the year was		
	Permanent employees - management	82	76
	Permanent employees - Technical	503	538
	Permanent employees - unionisable	560	584
	Temporary and contracted employees	-	-
	Total	**1,145**	**1,198**
14	**GENERAL ADMINISTRATIVE COST**		
	Trustee' Emoluments	29,241,145	19,687,797
	Travelling & Subsistence Cost	209,225,226	172,282,021
	Transport Costs	39,900,158	30,639,051
	Rent Expense	299,263,908	290,480,876
	Printing, Stationery and Photocopying	34,234,544	34,886,845
	Postage, Telephone and Internet Expenses	93,247,641	112,041,001
	Electricity, Water, Security and Conservancy	87,946,157	90,577,086
	Training Expenses	84,548,841	51,326,023
	Repairs and Maintenance	831,493,930	192,007,944
	Hospitality Material and services	8,453,431	1,457,456
	Consultancy and Professional Expense	33,830,905	8,830,534
	Legal Expense	53,771,092	26,212,531
	Audit Fees	8,000,000	9,280,000
	Finance Expense	33,196,828	23,683,945
	SS Policy Development	15,665,936	15,969,236
	General Insurance	43,332,710	23,523,229
	AGM Expenses	1,917,840	1,350,000
	ISO Expenses	44,103,963	42,007,947
	Advertising and Publicity	34,900,892	9,640,292
	Marketing expense	32,866,918	21,925,521
	Corporate Social Responsibility	27,067,561	24,483,981
	Other Administrative Expense	117,195,155	120,865,432
	Project claims	-	871,697,122
	Depreciation	231,286,437	267,877,509
	Amortisation	244,759,167	64,789,762
		2,639,450,386	**2,527,523,139**

There was an overall 1% increase in operating expense.

15	**PROVISIONS/ADJUSTMENTS**		
	REALPPLE5YRFXD BULLET NOTE	183,750,000	-
	Tassia Scheme Infrastructure Project	105,158,476	-
	Accrued interest from REALPEOPLE bond	12,540,938	-
	Increase in provision for doubtful debts	70,127,057	129,778,343
		371,576,471	**129,778,343**

Provision relate to principal and accrued interest from REALPPLE, and increase in provision for doubtful debts (rent and TPS debtors) and contribution unpaid cheques).

Notes to the Financial Statements (Continued)

16 CASH AND BANK BALANCES	2022 Kes	2021 Kes
Cash balances	1,055,030	977,793
CFC Stanbic Bank	11,738	4,913,588
Cooperative Bank	62,949,994	140,093,998
Kenya Commercial Bank	699,647,798	206,903,663
Mpesa	16,041,368	48,963,410
National Bank of Kenya	11,222,436	368,643,370
Standard Chartered Bank	228,297,429	214,312,483
	1,019,225,791	**571,000,978**

The amount represents cash and bank accounts ledger balances as at 30th June 2022.

17 DEPOSITS		
Call deposits	4,376,349,000	3,700,931,000
Fixed deposits	5,711,069,200	4,668,389,000
	10,087,418,200	**8,369,320,000**
MOVEMENT		
Opening balance	8,369,320,000	15,645,705,000
Additions during the year	74,160,555,359	62,419,589,268
Reductions during the year	72,442,457,159	69,695,974,268
Closing balance	**10,087,418,200**	**8,369,320,000**

The call and fixed deposits have been placed in a cross section of banks as represented on note 17a and 17b below.

17 a CALL DEPOSITS (Held to Maturity)		
ABSA Bank Ltd	750,000,000	132,200,000
Stanbic bank	349,393,000	255,200,000
Cooperative Bank Ltd	71,000,000	1,121,239,000
Equity Bank Ltd	307,200,000	1,685,692,000
KCB Bank Ltd	1,245,266,000	88,600,000
National Bank of Kenya	1,000,000,000	-
NCBA Bank Ltd	653,490,000	418,000,000
	4,376,349,000	**3,700,931,000**

17b FIXED DEPOSITS (Held to Maturity)		
ABSA Bank Ltd	400,000,000	-
Cooperative bank	1,305,000,000	1,263,000,000
Equity bank	763,099,200	328,505,000
I&M Bank Ltd	-	-
National Bank of Kenya	1,000,000,000	2,000,000,000
SBM Bank Ltd	-	8,750,000
Kenya Commercial Bank	1,815,000,000	100,000,000
NCBA Bank Ltd	27,970,000	400,000,000
Stanbic Bank Ltd	400,000,000	568,134,000
Chase bank	-	17,029,329
Imperial bank	206,126,260	206,126,260
	5,917,195,460	**4,891,544,588**
Less: Provision for doubtful deposits	(206,126,260)	(223,155,588)
	5,711,069,200	**4,668,389,000**
Maturity analysis:		
Already due	206,126,260	223,155,588
Maturing within 90 days	5,711,069,200	4,668,389,000
	5,917,195,460	**4,891,544,588**

The provision of Kes 206,126,260 relates to the remaining amounts of deposits placed in Imperial Bank. Imperial Bank was placed under statutory management by Central Bank of Kenya (CBK).

18	T. BILLS (SUMMARY AND MOVEMENT)	2022 Kes	2021 Kes
	Balance at the beginning of the year	1,210,396,800	2,002,681,495
	Additions	2,312,079,156	1,296,206,147
	Proceeds on maturity/disposals	(1,895,983,319)	(2,088,490,842)
	Balance at the end of the year	**1,626,492,637**	**1,210,396,800**
	Maturity Analysis:		
	Between 181 and 365 days	1,626,492,637	1,210,396,800
		1,626,492,637	**1,210,396,800**

19	T. BONDS (SUMMARY AND MOVEMENT)	2022 Kes	2021 Kes
	Balance at the beginning of the year	152,940,388,443	124,284,783,962
	Additions	52,627,549,003	39,773,201,005
	Proceeds from disposal/redemption	(35,421,658,669)	(9,338,197,468)
	Add: Fair value gain/(loss)	(8,949,779,598)	(1,779,399,057)
		161,196,499,180	**152,940,388,443**
	Maturity Analysis:		
	Within 1 year	-	8,540,213,781
	Between 1 and 3 years	627,183,226	20,731,344,091
	Between 3 and 5 years	12,803,071,573	15,195,879,975
	Between 5 and 10 years	32,198,585,209	54,754,615,179
	Between 10 and 20 years	101,791,041,489	48,441,931,214
	More than 20 years	13,776,617,683	5,276,404,203
		161,196,499,180	**152,940,388,444**

Treasury bonds represent 57% of the Fund's total assets and earned 76% of total investment income. The Fund increased its Fixed Income exposer to mitigate the equity fluctuation that eroded value because of a poor run at the Nairobi Securities Exchange.

20	2022 Nominal Value	2022 Price	2022 Market Value	CORPORATE BONDS	2021 Nominal Value	2021 Price	2021 Market Value
	132,200,000	100.00	132,200,000	Imperial 5.25YR FXD Bond	132,200,000	100.00	132,200,000
	183,750,000	100.00	183,750,000	REALPPLE5YRFXD Bullet Note	183,750,000	99.97	183,693,410
	534,700,000	100.00	534,700,000	FXDCHASE2015	534,700,000	100.00	534,700,000
	904,500,000	99.99	904,441,208	Family Bank 5.5yr Bond	904,500,000	99.99	904,451,157
	142,000,000	99.96	141,938,514	KMRC Fixed Bond	-	-	-
	704,970,105	100.12	705,824,529	EABL_MTN_2021_Note	-	-	-
	2,602,120,105		**2,602,854,250**		**1,755,150,000**		**1,755,044,567**
	Less: Provision for doubtful bonds						
	132,200,000	100.00	132,200,000	Imperial 5.25YR FXD Bond	132,200,000	100.00	132,200,000
	534,700,000	100.00	534,700,000	FXDCHASE2015	534,700,000	100.00	534,700,000
	183,750,000	100.00	183,750,000	REALPPLE5YRFXD Bullet Note	-	-	-
	850,650,000		**850,650,000**	**Sub-total**	**666,900,000**		**666,900,000**
	1,751,470,105		**1,752,204,250**		**1,088,250,000**		**1,088,144,567**

2022	MOVEMENT	2021
1,755,044,566	Balance at the beginning of the year	2,066,504,882
846,970,105	Purchases	904,500,000
-	Disposal/redemption	(1,176,600,000)
(782,988.26)	Add: Fair value gain/(loss)	(39,360,316)
2,602,797,660		**1,755,044,566**
850,650,000	**Less:** Provision for doubtful bonds	666,900,000
1,752,147,660		**1,088,144,566**

Notes to the Financial Statements (Continued)

		2022 Kes	2021 Kes
21	**ACCRUED INCOME**		
	Accrued Dividend Income (note 21 a)	1,538,540,091	264,491,234
	Interest from T. bills and bonds (note 21b)	5,096,732,147	4,408,582,056
	Interest from Call and Fixed Deposits (note 21c)	75,533,944	125,119,339
	Interest from Corporate Bonds (note 21 d)	22,385,877	14,156,116
		6,733,192,059	**4,812,348,744**
21a	**ACCRUED DIVIDEND INCOME**		
	Bamburi Cement	231,063,725	176,678,820
	KenGen Co. Ltd	-	63,217,810
	Jubilee Holdings Ltd	1,256,775	773,400
	Nation Media Group	7,514,370	4
	Diamond Trust Bank Kenya Ltd	30,139,114	-
	Kenya Commercial Bank Ltd	562,703,418	
	Equity Bank Ltd	656,350,938	-
	CRDB Bank Plc	-	15,210
	Safaricom Ltd	-	104,020
	Stanbic Bank Uganda	-	77,879
	MTN Uganda	5,862,340	-
	Kenya Re-insurance Corporation	9,057,933	18,115,866
	Umeme	34,591,477	5,705,338
		1,538,540,091	264,688,347
	Less: Provision for doubtful dividend	-	197,113
		1,538,540,091	**264,491,234**
21b	**Accrued Interest from**		
	Treasury bonds	5,086,638,883	4,387,041,121
	Treasury bills	10,093,264	21,540,935
		5,096,732,147	**4,408,582,056**
21c	**Interest from Call and Fixed Deposits**		
	ABSA Bank Ltd	5,424,110	665,515
	Coop Bank Ltd	2,275,479	20,985,430
	Equity Bank Ltd	8,144,136	25,911,235
	KCB Bank Ltd	11,667,849	-
	NBK Bank Ltd	24,408,219	65,095,890
	NCBA Bank Ltd	11,606,813	6,852,637
	SBM Bank Ltd	10,067,612	1,531,418
	Stanbic Bank Ltd	1,939,726	4,077,214
		75,533,944	**125,119,339**

21d	**Accrued Interest from Corporate Bonds**		
	EABL-FXD 02/2017/005	14,709,472	
	Family Bank 5.5yr Bond	1,922,284	1,615,179
	KMRC Fixed Bond	5,754,121	-
	REALPPLE5YRFXD BULLET NOTE	12,540,938	12,540,938
	Gross accrued interest from corporate bonds	**34,926,815**	**14,156,116**
	Less: Provision for doubtful interest	(12,540,938)	-
		22,385,877	**14,156,116**

		2022	2021
22	**STORES AND SUPPLIES**	**Kes**	**Kes**
	General office stationery	4,644,573	64,610,735
	Office and computer accessories	3,826,166	10,784,023
	Tools and electrical accessories	668,304	402,927
	Safety materials and clothing	288,063	349,118
	Hospitality materials	3,433,461	3,007,608
	Motor vehicles spares	0	150,460
	STORES AND SUPPLIES	**12,860,566**	**79,304,872**

Stores and supplies represent the value of items of stationery, consumables and other materials held in the stores as at 30 June 2022. A stock-take to ascertain the value is carried at the end of every financial year and reconciliation carried out.

23	**RECEIVABLES AND PREPAYMENTS**		
	TPS debtors	4,134,513,704	713,690,523
	Rent debtors	1,449,689,953	1,001,072,176
	Deposits and advances (note 23a)	268,959,238	476,330,955
	Staff loans debtors (note 23b)	33,682,390	31,294,365
	Staff advances and imprest (note 23c)	24,334,322	28,268,730
	Contributions debtors (note 23d)	(34,790,647)	232,794,908
	Tax receivables (note 23e)	935,901,481	933,170,598
	Legacy debtors (note 23f)	14,389,969	16,863,969
	Service Charge Debtors (note 23g)	864,567,109	780,774,369
	Prepayments	-	13,767,746
	Contribution Unpaid Cheques	78,864,910	79,813,505
	Total Receivables and Prepayments	**7,770,112,429**	**4,307,481,845**
	Less: Provision for bad debts	(305,007,670)	(234,880,612)
	Net Receivables and Prepayments	**7,465,104,760**	**4,072,961,233**
	General provisions		
	TPS Debtors	26,050,511	21,410,716
	Rent Debtors	35,300,266	27,348,858
		61,350,777	**48,759,574**
	Specific provisions		
	Various vacated tenants	150,402,014	89,443,564
	Prepayments		
	Staff pension debtor	4,587,969	4,587,969
	City Council of Nairobi	-	2,474,000
	Mutula Kilonzo	5,015,000	5,015,000
	Lloyd Masika Ltd	4,787,000	4,787,000
	Bounces cheques	78,864,910	79,813,505
		243,656,893	**186,121,038**
	Total Provisions	**305,007,670**	**234,880,612**

The provision relates to long outstanding items whose recoverability has been judged to be doubtful. Effort to recover is ongoing but the provision is to ensure that the financial statements do not overstate the financial position of the Fund.

Notes to the Financial Statements (Continued)

		2022 Kes	2021 Kes
23a	**Deposits and Advances**		
	Advances and deposits to suppliers	268,062,938	475,434,655
	Other deposits	896,300	896,300
		268,959,238	**476,330,955**
23b	**Staff Loans Debtors**		
	Staff Car loan debtors	25,285,876	20,803,804
	Staff Car Insurance debtors	1,017,663	1,014,220
	Staff mortgage loans	6,917,601	6,917,601
	Other staff loans	461,250	2,558,741
		33,682,390	**31,294,365**

Staff loans are advanced at 4% interest for house loans and car loans.

		Kes	Kes
23c	**Staff Advances and Imprest**		
	Salary advances	10,665,162	8,359,823
	Staff Imprest	3,988,393	6,158,493
	Medical advance	6,788,064	6,788,064
	Motor vehicle insurance advance	97,875	97,875
	Meal allowance	96,800	4,556,055
	Household items advance	2,698,027	2,308,421
		24,334,322	**28,268,730**
23d	**Contribution debtors**		
	Outstanding for less than 30 days	916,103,182	950,893,829
	Less: Accruals at start of the year	- 950,893,829	- 718,098,920
	Outstanding for less than 30 days	**- 34,790,647**	**232,794,908**
	Outstanding for more than 30 days previous year	-	-
		- 34,790,647	**232,794,908**
23e	**Tax Receivable**		
	Tax refund due from KRA (1996,1997)	904,903,717	904,903,717
	Tax on interest earned from bank balances	24,502,894	21,772,011
	Low interest tax	6,494,870	6,494,870
	Total Outstanding	**935,901,481**	**933,170,598**

Out of the tax receivable of Kes 923,160,277, Kes 904,903,717 relates to an income tax return of Kes 1,067,606,204 filed in 1996 later established that an amount of Kes 493,257,328 was overpaid and a further Kes 411,646,389 income tax inadvertently paid to KRA in 1997 when the Fund had become income tax exempt in accordance with Section 45 of the First schedule of Income Tax Act Cap 470 which came into effect on 18 June 1996. The incidental refund of the same has remained outstanding and in 2019/2020 financial year, the same continues to be recognised as a debt.

The summary of Kes 904,903,717 is as follows: -

Year	Amount (Kes)	Comment
1996	493,257,328	Overpayment based on draft accounts
1997	411,646,389	Overpaid based on the Finance Bill 1996 which was different from Finance Act 1996. KRA is yet to refund incompliance to Section 90 (1)

23g	**Legacy Debtors**		
	Mutula Kilonzo	5,015,000	5,015,000
	Lloyd Masika Ltd	4,787,000	4,787,000
	City Council of Nairobi	-	2,474,000
	Staff pension debtor	4,587,969	4,587,969
		14,389,969	**16,863,969**

23h	**Service Charge Debtors**		
	Opening	780,774,369	624,143,730
	Increase in the year	83,792,740	156,630,639
	Decrease in the year	-	-
	Prior year adjustment	-	-
		864,567,109	**780,774,369**

Service charge debtors relate to amounts incurred to provide services to tenants to be recovered from future service charge after service charge audit.

24	**STAFF CAR LOANS**		
	Car loans	186,251,719	230,590,974
	Insurance loans	3,292,922	-
	Other Loans	430,516	-
		189,975,157	**230,590,974**

The Fund operates internally a staff car loan scheme at 4% interest repayable in 6 years. The amount relates to the outstanding principal amounts. Interest charged is recognised under other income.

25	**TPS LOANS**		
	TPS Loans-held by NSSF Employees	723,753,773	826,919,356
	TPS Loans-held by Public	2,379,504,629	2,817,701,550
		3,103,258,402	**3,644,620,906**

Reduction of 10% in TPS loans is due to repayment by homeowners.

26	**STAFF MORTGAGE SCHEME DEPOSITS**		
	KCB Bank	137,252,336	134,201,817
	Housing Finance	644,121,788	628,646,785
	National Bank of Kenya	476,793,741	464,573,228
		1,258,167,866	**1,227,421,830**

Long-term deposits are made up of staff mortgage security deposits and balances of mortgage revolving funds bank accounts. The Fund has a staff mortgage scheme advanced at 5% interest to staff. All cadres of staff enjoy the facility according to the Human Resource Policy.

Notes to the Financial Statements (Continued)

27

2022 No of Shares	2022 Price	2022 Value	Company	2021 No of Shares	2021 Price	2021 Value
2,225,000	38.96	86,694,264	Consolidated Bank Ord. Shares	2,225,000	38.96	86,694,264
8,050,000	20.00	161,000,000	Consolidated 4% Cumulative Pref.	8,050,000	20.00	161,000,000
518,685	111.27	57,712,796	FANISI FUND II	338,572	107.66	36,452,134
1,118,460	144.00	161,058,240	UAP Holdings Limited	1,118,460	144.00	161,058,240
		466,465,299				**445,204,638**

MOVEMENT

2022		2021
445,204,638	Balance at beginning of the year	513,972,854
21,260,662	Additions during the year	20,161,004
-	Gain/(loss) on revaluation	(88,929,221)
-	Reduction during the year	-
466,465,299	**Balance at end of the year**	**445,204,638**

Consolidated Bank was valued in 2012 at a point when there was an expression of interest to purchase the Fund's stake. Given the nature of the bank, and the prevailing market conditions, it is prudent that it is retained at cost as opposed to reflecting the values obtained in 2012. Fanisi Fund II is a private equity fund. Private Equity investments are made in a manner such that the Fund made a commitment to invest $1 Million and the funds are only drawn down as Fanisi makes investments. The valuation can therefore only be carried out after the Fund has finalized making investments. The amount in the financial statements is therefore what has been drawn down. UAP shares have been revalued using Geghis Capital Over the Counter (OTC) price as at 30th June 2022.

Notes to the Financial Statements (Continued)

28

2022 Shares	2022 Price	2022 Value	Company	2021 Shares	2021 Price	2021 Value
2,957,500	5.55	16,414,125	Athi River Mining	2,957,500	5.55	16,414,125
64,542,940	34.35	2,217,049,989	Bamburi Cement	58,892,940	35.15	2,070,086,841
149,410,608	10.45	1,561,340,854	Barclays Bank of Kenya	134,736,308	9.92	1,336,584,175
2,042,090	407.75	832,662,198	British American Tobacco Kenya	2,224,113	450.00	1,000,850,850
5,143,053	98.75	507,876,484	CFC Stanbic of Kenya Holdings	2,137,651	81.00	173,149,731
3,846,400	17	65,388,800	I&M Holdings	3,846,400	21.85	84,043,840
10,046,370	49.95	501,816,182	Diamond Trust Bank Kenya	6,913,871	59.25	409,646,857
24,300,000	8	194,400,000	E.A.Portland Cement	24,300,000	8.50	206,550,000
37,944,474	137.25	5,207,879,057	East African Breweries	31,243,674	180.75	5,647,294,076
2,838,776	3.8	10,787,349	Sameer Africa	2,838,776	3.40	9,651,838
20,535,538	3.23	66,329,788	Housing Finance	24,016,639	3.87	92,944,394
5,885,800	9.78	57,563,124	Centum Investment	5,885,800	17.40	102,412,920
96,675	259.5	25,087,163	Jubilee Holdings	96,675	350.50	33,884,588
288,261,409	38.65	11,141,303,458	KCB Bank	265,797,909	42.65	11,336,280,819
58,931,658	1.43	84,272,271	KPLC	67,982,458	1.40	95,175,441
5,009,576	17.05	85,413,271	Nation Media Group	7,345,348	25.00	183,633,700
17,776,656	23.6	419,529,082	NCBA Bank	24,154,920	25.50	615,950,448
7,683,285	124.75	958,489,748	Standard Chartered Bank	6,364,930	129.75	825,849,721
206,252,836	3.38	697,134,586	KenGen	210,726,034	3.94	830,260,574
234,731,646	43	10,093,460,778	Equity Bank	200,594,614	44.75	8,976,608,977
3,550	4.11	14,591	K.P.L.C 4% Pref	3,550	4.53	16,082
750	6	4,500	K.P.L.C 7% Pref	750	6.00	4,500
90,579,331	1.99	180,252,869	Kenya Re	90,579,331	2.47	223,730,948
767,309,177	24.95	19,144,363,966	Safaricom	685,335,577	41.45	28,407,159,667
171,356,823	10.9	1,867,789,371	The Co-operative Bank of Kenya	142,180,224	13.80	1,962,087,091
230,564,205	5.6	1,291,159,548	Britam	230,564,205	7.24	1,669,284,844
15,427,981	6.88	106,144,509	Umeme Ltd (Kenya)	15,427,981	5.84	90,099,409
32,153,900	6	192,923,400	STANLIB FAHARI I-REIT	32,333,900	6.14	198,530,144
1,140,000	20.211	23,040,892	CRDB Bank Plc	1,140,000	13.72	15,640,333
-	0	-	Stanbic Bank Uganda	10,000,000	0.80	8,039,440
39,810,225	5.462	217,443,608	MTN UGANDA	-	-	-
5,005,735	7.4505	37,295,144	UMEME UGANDA LTD	5,005,735	6.64	33,257,673
		57,804,630,700				**66,655,124,043**

MOVEMENT

66,655,124,043	Balance at beginning of the year	52,543,439,582
10,058,044,415	Purchases	1,690,639,935
(2,408,261,978)	Sales	(1,033,876,285)
(16,500,274,750)	Less: Fair Value gain/(loss) on valuation	13,454,920,812
57,804,631,730	**Balance at end of the year**	**66,655,124,043**

The Kes 16,500,274,750 billion is as a result of a slump in equity prices at the Nairobi Securities exchange reflected on the fall of the NSE 20 share index equity market. Being a long-term investor, short term price fluctuation will be corrected over time. The Fund has mitigated the equity fluctuation by increased investment in government securities.

29

INVESTMENT PROPERTY	Fair value 30.06.2022 Kes	Additions Kes	Disposal Proceeds Kes	Fair value adjustments Kes	Balance 30.06.2021 Kes
a) Developed Property					
Social Security House Nairobi L.R. No: 209/13920	8,650,000,000	-	-	30,000,000	8,620,000,000
Social Security House Mombasa L.R. No: Block XXV/123	1,550,000,000	-	-	50,000,000	1,500,000,000
Bruce House L.R. 209/6776 (I.R. No: 21769)	2,928,000,000	-	-	13,000,000	2,915,000,000
Hazina Trade Centre L.R. No. 209/6708 (I.R.No.21457)	4,240,000,000	4,743,369,367	-	- 3,740,369,367	3,237,000,000
View Park Towers L.R. No: 209/8595 (I.R. No: 29601)	2,550,000,000	-	-	8,000,000	2,542,000,000
Hazina Towers L.R. No: 209/10567(I.R.No:43170)	1,574,000,000	-	-	6,000,000	1,568,000,000
Hazina South B L.R. No: 92/1598,1599,1600	361,000,000	-	-	500,000	360,500,000
Hazina Plaza- Polana Mombasa L.R. MSA/Block XX/328&329	425,000,000	-	-	- 105,000,000	530,000,000
Kisumu Estate-Kisumu L.R. No. Kisumu/Mun/Block 8/258	220,000,000	-	-	-	220,000,000
Milimani Executive Apartments	2,217,128,118	-	295,727,625	-	2,512,855,742
Nyayo Estate Embakasi	288,947,415	-	7,500,000	-	296,447,415
Sub-total	**25,004,075,533**	**4,743,369,367**	**303,227,625**	**- 3,737,869,367**	**24,301,803,157**
b) Undeveloped Land					
Kenyatta Avenue Plots L.R. No: 209/11331,11412,12287,12219,12220	4,015,000,000	-	-	15,000,000	4,000,000,000
L.R. 20305,24578,24577,24574,26,472,20355,24579,20694,24575 Mavoko-Sabaki	4,220,000,000	-	-	5,000,000	4,215,000,000
Bamburi Plots L.R. No: MN/I/2535,2537,2538,2539,2540	1,130,000,000	-	-	5,000,000	1,125,000,000
Mtwapa Plot Jamboree L.R. NoL.R. MSA/MN/982-Mombasa	600,000,000	-	-	- 40,000,000	640,000,000
L.R. 20589-Makutano Junction	425,000,000	-	-	-	425,000,000
Forest Edge	160,000,000	-	-	-	160,000,000
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Tassia Estate	20,264,784	-	-	-	20,264,784
Sub-total	**10,685,264,784**	**-**	**-**	**- 15,000,000**	**10,700,264,784**
Total Investment Property	**35,689,340,317**	**4,743,369,367**	**303,227,625**	**- 3,752,869,367**	**35,002,067,942**
Less: Provision for Impairment					
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Forest Edge	160,000,000	-	-	-	160,000,000
Total provision for impairment	**275,000,000**	**-**	**-**	**-**	**275,000,000**
Net Investment Property	**35,414,340,317**	**4,743,369,367**	**303,227,625**	**- 3,752,869,367**	**34,727,067,942**

Additions during the year relate to capitalization of Hazina Trade Centre and reduction represent sale of Milimani Executive Apartments house units. Impairment relates to Forest Edge plot and Upper Hill Plot whose title was revoked by the National Land Commission. Valuation of Land and buildings was carried out by independent valuers on income capitalization and comparison approach. These amounts were adopted on 30th June 2022.

Notes to the Financial Statements (Continued)

		2022 Kes	2021 Kes
29	**MOVEMENT**		
	Opening balance	35,002,067,942	34,951,205,651
	Additions during the year	4,743,369,367	280,151,628
	Reduction/disposal during the year	(303,227,625)	(229,789,337)
	Gain/(loss) on revaluation	(3,752,869,367)	500,000
	Transfer to Asset under Construction	-	-
		35,689,340,317	**35,002,067,942**
	Less: Impairment	(275,000,000)	(275,000,000)
		35,414,340,317	**34,727,067,942**
30	**ASSETS UNDER CONSTRUCTION**		
	Mavoko Project	1,805,621	1,805,621
	Tassia Scheme	105,158,476	105,158,476
	Hazina Trade Centre	-	4,282,604,715
	Field Office Refurbishment	-	63,006,377
	SSH Nairobi transformer	-	7,573,110
	EDRMS System	-	295,245,453
	SAP Additional Modules	-	214,074,370
	Bamburi Plot	3,193,280	3,193,280
	Branch Generators	-	7,432,151
	Mavoko Plot	26,962,222	26,962,222
	Parking Silo Generator	-	4,706,684
	Parking Silo Lift AVS	1,334,000	1,334,000
	Bruce House Lifts	21,836,360	21,836,360
	CCTV ViewPark Towers	31,029,173	31,029,173
	Property Repairs	37,470,584	37,470,584
	SSH Data Centre	-	47,236,277
	SSH Gym Centre	6,995,968	2,065,965
	Bulk Filers	24,358,538	-
	Total Assets Under Construction	**260,144,223**	**5,152,734,819**
	Tassia Scheme Infrastructure Project impairment	(105,158,476)	-
	Net Amount	**154,985,746**	**5,152,734,819**
	MOVEMENT		
	Opening balance	5,152,734,819	4,624,048,230
	Additions during the year	490,053,193	1,054,305,362
	Transfer of complete assets	(5,382,643,789)	(525,618,773)
	Impairments	(105,158,476)	-
	Closing balance	**154,985,746**	**5,152,734,819**

31. PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE 2021-2022 FY

	Motor Vehicle	ICT	Furniture	Equipment	Fittings	Software	Totals
	Kes	Kes	Kes	Kes	Kes	Kes	Kes
Cost/Valuation							
Opening carrying value as at 1st July 2019	**539,456,347**	**1,616,646,547**	**307,758,983**	**435,672,319**	**118,105,542**	**570,368,881**	**3,588,008,619**
Additions During the year	56,037,750	35,580,736	3,773,501	2,478,258	178,980	-	98,049,225
Disposal	50,742,597	41,528,015	6,183,950	29,870,923	152,911	-	128,478,396
Closing carrying value as at 30 June 2020	**544,751,500**	**1,610,699,268**	**305,348,533**	**408,279,655**	**118,131,611**	**570,368,881**	**3,557,579,448**
Opening carrying value as at 1st July 2020	544,751,500	1,610,699,268	305,348,533	408,279,655	118,131,611	570,368,881	3,557,579,448
Additions During the year	130,473,492	102,161,015	15,351,170	3,443,160	138,992	192,490,765	444,058,594
Disposal	125,232,387	681,923,839	51,977,188	39,103,929	-	-	898,237,344
Closing carrying value as at 30 June 2021	**549,992,605**	**1,030,936,444**	**268,722,515**	**372,618,886**	**118,270,602**	**762,859,646**	**3,103,400,698**
Opening carrying value as at 1st July 2021	549,992,605	1,030,936,444	268,722,515	372,618,886	118,270,602	762,859,646	3,103,400,698
Additions During the year	8,180,000	185,883,547	4,759,995	20,547,095	63,667,889	-	283,038,526
Transfer from AUC	-	47,236,277	-	-	-	484,638,989	531,875,266
Disposal	-	-	-	-	-	-	-
Closing carrying value as at 30 June 2022	**558,172,605**	**1,264,056,268**	**273,482,510**	**393,165,981**	**181,938,491**	**1,247,498,635**	**3,918,314,490**
Depreciation							
Opening balance as at 1st July 2019	444,074,938	1,302,437,701	209,243,902	288,547,521	46,565,954	568,542,542	2,859,412,558
Disposal	50,742,597	41,528,015	6,178,557	29,796,219	152,911	-	128,398,300
Charge for the year	49,507,756	136,977,238	17,618,495	26,282,154	14,963,085	626,173	245,974,901
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2020	**442,840,097**	**1,397,886,924**	**220,683,840**	**285,033,455**	**61,376,128**	**569,168,715**	**2,976,989,159**
Opening balance as at 1st July 2020	**442,840,097**	**1,397,886,924**	**220,683,840**	**285,033,455**	**61,376,128**	**569,168,715**	**2,976,989,159**
Disposal	125,232,387	681,923,839	51,708,169	39,079,364	-	-	897,943,759
Charge for the year	66,211,180	141,626,864	19,231,388	25,887,394	14,920,682	64,789,762	332,667,270
Reclassification to Low asset value							
Closing balance as at 30 June 2021	**383,818,890**	**857,589,949**	**188,207,058**	**271,841,486**	**76,296,810**	**633,958,477**	**2,411,712,670**
Opening balance as at 1st July 2021	383,818,890	857,589,949	188,207,058	271,841,486	76,296,810	633,958,477	2,411,712,670
Disposal	-	-	-	-	-	-	-
Charge for the year	50,040,050	112,982,842	17,330,079	24,115,561	26,817,905	244,759,167	476,045,604
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2022	**433,858,940**	**970,572,791**	**205,537,137**	**295,957,047**	**103,114,715**	**878,717,644**	**2,887,758,274**
NBV As at 30 June 2021	**166,173,715**	**173,346,495**	**80,515,457**	**100,777,400**	**41,973,793**	**128,901,169**	**691,688,029**
NBV As at 30 June 2022	**124,313,665**	**293,483,477**	**67,945,373**	**97,208,934**	**78,823,776**	**368,780,991**	**1,030,556,216**

Notes to the Financial Statements (Continued)

31 (b) Property, Plant and Equipment fully depreciated

Property plant and Equipment includes the following assets that are fully depreciated:

Asset Class	Cost Valuation Kes	Normal Annual Depreciation charge Kes
Motor Vehicles	311,963,503	62,392,701
ICT Hardware	892,173,167	297,391,056
Furniture	102,567,181	10,256,718
Equipment	210,098,622	26,262,328
Fittings	46,152,236	9,230,447
Softwares	322,452,346	107,484,115
Total	**1,885,407,054**	**513,017,365**

32	**PAYABLES AND ACCRUALS**		
	Payables due to Vendors	172,919,957	173,047,633
	House Purchase deposits	157,853,301	279,791,295
	Rental Deposits	231,125,389	221,172,060
	TPS Creditors	2,551,893,552	-
	Tassia infrastructure deposits	253,198,519	322,377,850
	Taxes Payable (note 32 a)	61,665,179	50,030,696
	Sundry creditors and accruals (note 32 b)	(54,271,707)	19,738,383
	Returned benefits	166,826,982	266,336,140
	Provision for leave pay and gratuity (note 32 c)	51,301,034	99,207,090
		3,592,512,207	**1,431,691,147**
32a	**Taxes Payable**		
	Withholding income tax	1,518,632	1,555,661
	VAT on rent	58,692,912	47,451,620
	Withholding VAT tax	1,453,635	1,023,415
		61,665,179	**50,030,696**
32b	**Analysis of Sundry Creditors and Accruals**		
	Prepaid rent	(80,769,298)	-
	Unknown rent debtors	20,629,941	-
	Provision for audit fees	9,280,000	17,280,000
	TPS Sundry Creditors	(1,788,490)	1,788,490
	Salary payable (Net pay)	(1,623,860)	659,893
		(54,271,707)	**19,728,383**
32c	Provision for leave pay and gratuity	99,207,090	43,198,110
	Increase during the period	-	56,008,980
	Reduction in Provision leave pay	(47,906,056)	-
		51,301,034	**99,207,090**

33 Taxation

According to Section 45 of the First schedule of Income Tax Act Cap 470 effective 18 June 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security Fund (Exemption) Rules 2002, effective 1 July 2002 the Fund should comply with certain regulations for it to remain exempted.

Notes to the Financial Statements (Continued)

34. Compliance with retirement benefits act

In compliance with Retirement Benefits Act, NSSF maintains employer contribution clearing accounts where total contributions are posted from employers to the credit of member accounts for benefits payment upon qualification as per the Act. During the year, the contributions in transit balance decreased from **Kes. 3,932 Million** as at 30 June 2021 to **Kes.742 million** as at 30 June 2022.

35. RELATED PARTY DISCLOSURES

Income Earned from Related Parties

Kenya Commercial Bank – Dividend income	829,307,927	656,620,568
NSSF SACCO Society Ltd-Rental Income	7,127,897	7,127,897
	836,435,824	**663,748,465**

The related party income includes rent and dividend income earned during the year.

b. Board of Trustees Remuneration and Expenses		
Board Expenses	29,241,145	39,505,364
	29,241,145	**39,505,364**
c. Employees		
Tenant Purchase Staff Loans	723,753,773	826,919,356
Staff Loans	189,975,157	232,727,396
Advances and Imprest	24,334,322	28,308,206
	938,063,252	**1,087,954,958**

The Fund provides qualifying employees with car and housing loans on terms more favourable than the market rate. The benefits obtained by staff are subjected to income tax as required under the Kenya Income Tax Act.

36. Contingent assets and liabilities

a) Contingent Assets

In the financial year 2012/2013, The Board of Trustees approved exclusion of impaired assets from the Financial Statements. The cases to recover the assets are being pursued in courts of law and the current status of the cases is as follows:

i. Properties in Gazetted Areas

The Fund acquired investment properties in gazetted areas in New Muthaiga L.R. No.209/12274 measuring 18.41 hectares (located within Sigiria Block which is part of the Karura Forest Reserve), Ngong Road L.R.Nos.20840 and 20841 lying next to Lenana School (part of Ngong Forest).

New Muthaiga

The Fund filed a case under (formerly 147 of 2004) NSSF Board of Trustees VS-Kitisuru Limited and Geoffrey Chege Kirundi, Mike Maina Kamau, Commissioner of Lands and Attorney General. The case is ongoing and is at hearing stage. EACC is currently investigating the matter.

Notes to the Financial Statements (Continued)

Ngong Road Plot LR. Nos.20840 & 20841

The Fund filed a case in court under Milimani HCCC NO. 162 of 2005 NSSF vs Kerios Farm Ltd. The case is ongoing. On 15 July 2014 EACC wrote to the Fund informing it that it is investigating the matter. The title to the property was revoked vide a Kenya Gazette Notice No.3640 dated 1 April 2010. As per the Gazette Notice revoking the title, the parcel of the land had been reserved for public purposes and the allocation was therefore illegal and unconstitutional. The Fund was not given a hearing or any formal notification of the revocation of title.

The Fund is engaging the Chairman, National Land Commission and the Commissioner of Lands seeking for the reinstatement of the title of L.R. No.209/11642 and no positive reply has been received to date. As at 30 June 2015, the valuation of the land stood at Kes.115 million.

ii. The amount of Kes.251,516,000.00 invested in Euro Bank

An amount of Kes.251, 516,000.00 invested in Euro Bank and expected to have matured on 28 February 2002 had not been redeemed, as the Bank was placed under receivership in 2003.

The Fund initially won the case against Shah Munge & Partners and was awarded Kes.258, 133,333.00. In 2013, the Fund identified 5,250,000 NSE shares valued at 250,000,000.00 belonging to Shah Munge, but another company by the name Southern Bell Ltd went to court claiming ownership of the shares.

The company lost the case blocking the Fund from selling the 5,250,000.00 shares for Euro Bank valued at Kes.250, 000,000.00. The Fund sold the shares including a bonus of 17,500,000 shares for Kes. 92,681,284.40, out of which Kes. 23,523,743.30 was retained and paid out as legal fees and other costs.

iii. Rental income

Rental income amounting to Kes.30, 681,000 collected from tenants in Bruce House, Hazina, Viewpark Towers and Nyayo Estate by various property agents had not been remitted to the Fund as at 30 June 2020. Efforts to implement a court decree in favour of the Fund entered by consent vide HCCC No.859 of 1997 have not been successful and on 14th July 2014 the matter was picked by the EACC for investigation. The Fund lawyers are trying to trace the assets of the company.

iv. Discount Securities Ltd

The amount of Kes.1, 201,143,000 in respect of shares purchased through Discount Securities Limited. The matter is before the Anti-Corruption Court - Milimani - Discount Securities Case File No.141/267/2010, Court File No. ACC 15 of 2010 (Republic-vs-Francis Moturi Zuriels & Others), Fund witnesses are giving evidence. Recovery of the amount is still being pursued through the Court Case ACC 15 OF 2010 filed by EACC against the suspected culprits. The case is ongoing.

Notes to the Financial Statements (Continued)

v. **Cash Losses Westlands Branch Fraud (cash losses)**

The amount of Kes.7,243,030 was lost through fraud at the Branch. The matter is before a court of law for determination though fully provided for in the Financial Statements for 30 June 2015. The case is ongoing.

vi. **Kenya College of Medicine**

This tenant at both Hazina and View Park Towers presented fake cash deposit slips for receipting that were subsequently discovered. The case is before a court of law and the amount of Kes.9,327,627 in question has been provided for as contingent.

vii. **Contribution Arrears and Penalties as at June 2022**

Contributions receivable estimated to be Kes 8,635,342,199 have not been included in the financial statements. This comprises of mandatory contributions of Kes. 1,959,029,448 and penalties of Kes. 6,676,312,751. These contributions are based on estimates made on employer and the outstanding penalty is estimated based on previous late payments. The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

b) Contingent Liabilities

The major cases that may give rise to contingent liabilities during the year are as follows:

i. **Nyayo Estate Embakasi Phase Six**

Nyayo Embakasi Residents Association (NERA) instituted legal proceedings in the High Court of Kenya at Nairobi Environment and Land Division ELC NO.1170 of 2014 seeking to stop construction of the project because of environmental concerns. This has resulted in delay in completion of the works and this has led to the expiry of the Bank guarantee and the mobilization fee of Kes. 215, 540,774.00 is at risk. The value of work done is thus KES 274.7 million against the payment of Kes 227.9 million. This implied that the Fund's exposure is KES 168.7 which will be claimed based on the terms of the contract.

ii. **Nyayo Estate, Embakasi (Mugoya Construction)**

Mugoya Construction Company Limited has sued the Fund claiming Kes.7.058 billion against a counter claim by NSSF of Kes.9.873 billion. Included in project costs for Nyayo Estate, Embakasi and the counter-claim are questionable payments of Kes.324.356 million made to Mugoya Construction Company Limited without security. The Fund is of the opinion that the possibility of Mugoya Construction Company Limited succeeding is remote. These and other matters relating to dealings with Mugoya Construction Company Limited are under arbitration for determination.

However, full provision of Kes. 324.36 million was made in the 2008/2009 Financial Statements. To date, the arbitration process is still ongoing.

Notes to the Financial Statements (Continued)

36. Financial Risk Management

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board of Trustees has established various Board committees, which are responsible for developing and monitoring the Fund's risk management policies in their specific areas.

All Board committees report regularly to the Board of Trustees on their activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Fund, through its training and management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Committee is assisted in these functions by Audit & Risk department which undertake reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

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

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

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in **note 1** to the Financial Statements.

b) Financial Risk Factors

The Fund's overall risk management programme seeks to maximize the returns derived from the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's performance. The management of these risks is carried out by the Management and Fund Managers under investment policies approved by the Board of Trustees.

Notes to the Financial Statements (Continued)

c) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Board. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kes	Fully performing Kes	Past due Kes	Impaired Kes
At 30 June 2022				
Receivables from exchange transactions	5,584,203,657	5,372,450,866	211,752,791	150,402,014
Receivables from non-exchange transactions	2,183,909,890	1,728,500,206	31,904,102	14,389,969
Bank balances	1,019,228,291	-	-	-
Total	**8,787,341,838**	**7,100,951,072**	**243,656,893**	**164,791,983**
At 30 June 2021				
Receivables from exchange transactions	1,714,762,699	1,576,559,561	138,203,138	89,443,564
Receivables from non-exchange transactions	2,593,079,146	2,268,754,969	47,917,900	16,863,969
Bank balances	571,000,978	-	-	-
Total	4,878,842,823	3,845,314,530	186,121,038	106,307,534

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from rent debtors. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

d) Foreign Currency Risk

The Fund does not hold any of its bank balances in foreign currency. The fluctuations in currency exchange rates therefore do not expose the Fund to foreign currency risk. IFRS 7 considers the foreign exposure relating to non–monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the Fund .

Notes to the Financial Statements (Continued)

has transactional currency exposures that arise through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

However, Management monitors the exposure on all foreign currency denominated assets and liabilities.

e) **Liquidity risk management**

The Fund is exposed to daily operational payments and payment to claims payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Fund sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 30 June, 2022	Less than 12 Months	Over 12 Months	Total
	Kes	Kes	Kes
Investment Assets:			
Investments at quoted market values	1,626,492,637	220,753,334,130	222,379,826,767
Investments at estimated fair	11,106,643,991	35,880,805,617	46,987,449,608
Other assets:			
Inventory	-	12,860,566	12,860,566
Receivables & Prepayments	7,465,104,760	-	7,465,104,760
Accrued Income	6,733,192,058	-	6,733,192,058
Staff Mortgage Schemes Term Deposits	-	1,258,167,866	1,258,167,866
TPS loans	-	3,103,258,402	3,103,258,402
Staff Car loans	-	189,975,157	189,975,157
Assets Under Construction	-	154,985,746	154,985,746
Property, Plant and Equipment	-	1,030,556,216	1,030,556,216
Total Assets	**26,931,433,446**	**262,383,943,700**	**289,315,377,146**
Liabilities:			-
Accounts Payable	(3,592,512,207)	-	(3,592,512,207)
Net Assets	**23,338,921,239**	**262,383,943,700**	**285,722,864,940**

Notes to the Financial Statements (Continued)

f) Market risk

The Board of Trustees has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance and Investment Division is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

g) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

ii) Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) **Fair value of financial assets and liabilities**

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

Notes to the Financial Statements (Continued)

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value
Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

37. Incorporation

National Social Security Fund is established under the National Social Security Fund Act 2013 and is domiciled in Kenya.

38. Events after the Reporting Period

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

39. Currency

The financial statements are presented in Kenya Shillings (Kshs)

XIX.APPENDICES

Appendix 1: Implementation Status of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date wh[en] you expect th[e] issue to be resolved)*
Basis for Qualified Opinion				
1.	**Investment income** The statement of changes in net assets available for benefits reflects investment income totalling Kshs.21,635,609,454 which includes interest on corporate bonds totalling Kshs.124,734,473 as reflected in Note 8(a) to the financial statements. However, interest income totalling Kshs.16,624,953 earned from corporate bonds of a listed company were not recorded in the Cashbook. No explanation was provided for the omission. In the circumstance, the investment income balance totalling Kshs.21,635,609,454 included in the investment income balance for the year ended 30 June, 2021 could not be confirmed.	Issue resolved	Resolved	30th June 2022
2.	**Repairs and maintenance** The statement of changes in net assets available for benefits reflects general administrative costs totalling Kshs.2,527,523,139, as further disclosed in Note 14 to the financial statements. The balance includes repairs and maintenance expenditure totalling Kshs.192,007,944 which in turn includes Kshs.25,159,576 relating to 2019/ 2020 financial year.	Issue resolved	Resolved	30th June 2022

	Further, the balance includes payments totalling Kshs.1,392,000 made for information technology training and which is, therefore, not related to repairs and maintenance expenditure. In the circumstances, the repairs and maintenance expenditure totalling Kshs.192,007,944 is not fairly stated.			
3.	<u>**Cash and Bank balance**</u> The statement of net assets available for benefits reflects cash and bank balances totalling Kshs.571,000,978 as further disclosed in Note 16 to the financial statements. However, the balance contains the following anomalies: **3.1 Bank Overdraft** Note 16 to the financial statements reflects an overdrawn cashbook balance amounting to Kshs.206,903,663 whose cashbook was, however, not updated, closed or balanced. Management explained that the overdrawn cashbook balance arose as a result of Electronic Funds Transfer (EFT), Real Time Gross Settlement (RTGS) and cash deposit transactions made by employers who delayed in submitting returns to the Fund for posting to the cashbook. However, Management did not provide sufficient records to support the balance and did not disclose the controls established to prevent such omissions. **3.2 Unpresented Cheques and Other Outstanding Cash Balances** The bank reconciliation statement for the month of June, 2021 for one of the Fund's bank accounts revealed long outstanding balances relating to bounced EFTs and unpresented cheques totalling to Kshs.14,723,119. Further, the bank reconciliation statement reflected payments in bank statement not in cashbook totalling to Kshs.169,640,238 which had not been investigated and explained in accordance with Regulation 90 (3) of the Public Finance Management (National Government), Regulations, 2015. The Regulation requires	Issue resolved	Resolved	30th June 2022

	each Accounting Officer to investigate and take appropriate action to correct discrepancies noted when reconciling bank statements. In view of these discrepancies, the accuracy and completeness of cash and balance Kshs.571,000,978 as at 30 June ,2021 could not be confirmed.			
4.	**Rental Debtors** The statement of net assets available for benefits reflects receivables and prepayments totalling Kshs.4,072,961,233 which include rental income debtors totalling Kshs.1,001,072,176, as further disclosed in Note 23 to the financial statements. The debtors increased by Kshs.230,962,739 or 30% from Kshs.770,109,437 reported in the year ended 30 June 2020. Review of the debtors aging analysis revealed debtors totalling to Kshs.541,755,371 which have been outstanding for more than two (2) years. No explanation was provided by Management for the failure to collect the rent arrears or write them off as bad debts in accordance with the provisions of Section 157(1) of the Public Finance Management (National Government) Regulations, 2015. In the circumstances, the accuracy and recoverability of rental debtors balance totalling Kshs.1,001,072,176 as at 30 June, 2021 could not be confirmed.	Issue resolved	Resolved	30th June 2023
5.	**Payables and Accruals** The statement of net assets available for benefits reflects payables and accruals totalling Kshs.1,431,691,147 which include payables due to vendors totalling Kshs.173,047,633 as further disclosed in Note 32 to the financial statements. However, included in the payables due to vendors totalling Kshs.173,047,633 is Kshs.20,262,695 owed to the Fund by landlords, fuel suppliers, staff, and cash floats advanced to property managers. The long outstanding deposits are receivables but are incorrectly included in the payables balance.	Issue resolved	Resolved	30th June 2023

	Further, the payables and accruals balance totalling Kshs.1,431,691,147 includes returned benefits totalling Kshs.266,336,140. No explanation was provided for failure to clear the long outstanding returned benefits for the years 2012 to 2021. In the circumstances, the accuracy, completeness and fair statement of the payables and accruals balance totalling Kshs.1,431,691,147 as at 30 June, 2021 could not be confirmed.			
6.	**Stores and Supplies** The statement of net assets available for benefits reflects stores and supplies totalling Kshs.79,304,872, as further disclosed in Note 22 to the financial statements. However, the stores management software system indicated total stock balance of Kshs.59,734,163 described as 'stock on transit since 2013' resulting to unexplained variance of Kshs.19,570,709. Further, the balance does not include stocks from thirty-five (35) of the Fund's Branches which did not provide their respective stock take reports as at 30 June, 2021. In addition, the Fund's stores management software system had major limitations as physical count of stock could not be reconciled to actual values and the software could not detect and record loss of stores or adjustments of stock made through the system. In the circumstances, the accuracy, valuation and existence of the stores and supplies balance of Kshs.79,304,872 as at 30 June, 2021 could not be confirmed. Further, the significant weaknesses in the stores management system may enhance the risk of stock losses and stock outs.	Issue resolved	Resolved	31th March 2023
Other Matter				
1.	**Budgetary Control and Performance** The statement of comparison of budget and actual amounts indicates that the Fund's revenue budget for the year under review amounted to Kshs.39,963,301,000 and actual revenue Kshs.41,910,987,694 resulting to a surplus of Kshs.1,947,686,694 equivalent to 5% of the	Issue resolved	Resolved	31th March 2023

	budget. Management attributed the favourable revenue variance to the improved earnings in the bond and equities market in the financial year under review. Similarly, the statement of comparison of budget and actual amounts indicates that the Fund had budgeted to spend Kshs. 8,249,997,000 against the actual expenditure of Kshs.7,077,506,126 resulting to an under-expenditure of Kshs.1,172,490,874. The variance was mainly caused by reduction of staff costs by Kshs.989,210,432 due to delay in recruitment of senior managers and delayed implementation of the Fund's Collective Bargaining Agreement (CBA).			
2.	**Prior Year Issues:** The following issues reported in previous audit reports had not been resolved as at 30 June, 2021: **2.1 Prior Audit Issues** The audit report for the year ended 30 June, 2020 raised several unsatisfactory issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal controls, risk Management and governance. The report of Management on progress made in resolving the issues indicates that activities intended to resolve some of the issues were ongoing as at 30 June, 2021. However, the report does not provide disclosure on several issues raised in the audit report. The actual status of all the issues will be confirmed after they are discussed by Parliament.			
	2.2 Unrecovered Project Mobilization Fees Examination of records on the stalled Nyayo Embakasi Estate Phase VI construction project indicated that mobilization fees totalling Kshs. 215,540,774 paid to the contractor had not been recovered as directed in previous reports of the Public Accounts Committee (PAC).	Of the planned 324 units of the project, 44 units were developed, completed, sold and occupied by new owners; • Due to frustrations in obtaining the requisite change of user for some of the project land, the Board resolved	Issue not resolved	30th June 2023

	No satisfactory explanation was provided by the Management for the failure to recover the fees which will amount to loss of public funds if not recovered.	in April, 2017 that the project be terminated at the point it was and explore options of exiting the project at the earliest opportunity; • The certified value of the work carried out amounted to KES 274,675,065.92 at the point of termination; • The Fund is pursuing alternative dispute resolution mechanism to recover the net balance of KES 168,766,208.30 from the deposit.		
Basis for Conclusion				
	Non-Compliance with the National Social Security Fund Act, 2013 The statement of net assets available for benefits reflects investment management expenses of Kshs.508,604,076 and operating costs of Kshs.6,568,902,050 all totaling to Kshs.7,077,506,126 which is approximately 2.5% of the Fund's net assets of Kshs.284,486,627,670 as at 30 June, 2021. This is contrary to Section 50 of the National Social Security Fund Act, 2013 which stipulates that 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. Failure by Management to contain the expenses at 1.5% or below, of the Fund's assets eight (8) years after the commencement date is, therefore, irregular.	Section 50 of NSSF Act 2013,mandates the Fund to reduce the administration costs to 1.5% during the sixth year upon commencement of the Act on 10th January, 2014. During the enactment of the NSSF Act, the drafters / Fund had envisaged that upon commencement, the new rates of contributions would also commence as per Section 20. However, soon after, a suit was filed in the Labour and Relation Court case (Petition No. 11 of 2014 at Nakuru – Kenya Plantation Workers VS NSSF and The Hon. Attorney General) suspending Sections 18, 19,20 and 71 of the Act Therefore, the new rates under Section 20 of NSSF Act 2013 and the Third Schedule has not been operationalised. The judgement of the case is schedule to be delivered on 19th September,2022.	Not resolved	30th June 2023

Dr. Anthony Omerikwa, MBS

CEO/Managing Trusteee

National Social Security Fund

Date