


REPUBLIC OF KENYA



Enhancing Accountability



 REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 SEP 2024	DAY: WEDNESDAY
TABLED BY:	DEPUTY MAJORITY LEADER HON. OWEN BAJA, MP
CLERK-AT THE TABLE:	JOYCE . L.

REPORT

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 25 SEP 2024

DAY.

WEDNESDAY

OF

TABLED

BY:

DEPUTY MAJORITY LEADER

HON. OWEN BAJA, MP

CLERK-AT
THE TABLE:

JOYCE . L.

THE AUDITOR-GENERAL

ON

**OFFICE OF THE CONTROLLER OF
BUDGET STAFF RETIREMENT BENEFITS
SCHEME**

**FOR THE YEAR ENDED
31 DECEMBER, 2023**

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

OFFICE OF THE CONTROLLER OF BUDGET



OFFICE OF THE AUDITOR GENERAL
4TH FLOOR TIMES TOWER
P. O. Box 30084 – 00100 NAIROBI



30 JUL 2024

RECEIVED

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
RBA REGISTRATION NUMBER RBA/2017/2049

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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1 FUND INFORMATION

TRUSTEES

Macklin Abiniza Ogolla
Rhoda Rutto
Irene K. Arimi
Joseph Ooko Marembo
Farhiya Sheikh Ibrahim
George Leleito Kiptoo
Faith Kimani

ADMINISTRATOR

Jubilee Life Insurance Limited
Jubilee Insurance House
Wabera Street
PO Box 30376
00100 Nairobi, Kenya

APPROVED ISSUER

Jubilee Life Insurance Limited
Jubilee Insurance House
Wabera Street
PO Box 30376
00100 Nairobi, Kenya

INDEPENDENT AUDITOR

Auditor General
Office of the Auditor General
Anniversary Towers
P.O Box 30084
00100 Nairobi, Kenya

REGISTERED OFFICE

Office of the Controller of Budget,
Harambee Avenue, Bima House 12th Floor,
PO Box 35616 100 Nbi, Kenya.

2 BOARD OF TRUSTEES

Mr. Macklin Ogolla – Trustee, Board Chairman

Mr. Ogolla holds a Master of Business Administration (MBA) in Finance from Moi University and a Bachelor of Science in Actuarial Mathematics from the University of Nairobi. He also holds a Post-graduate Diploma in Finance from Maastricht. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Investment and Financial Analysts (ICIFA). Mr. Ogolla has served for six years as a Board Member of the Public Sector Accounting Standard Board (PSASB).



He has extensive training in Fiscal Decentralization, Debt Sustainability Analysis, and Budget Coding and Classification from the World Bank Institute. Mr. Ogolla has also been trained on International Public Sector Accounting Standards (ISRS & IPSAS) from Public Administration International Sector (PAI) London and received ICT training at Oracle University.

Mr. Ogolla is an experienced Finance expert with a track record of success in developing policies, strategies, operational financial management information systems, processes and procedures, managing daily ministry budgeting, financial management and accounting functions. He worked for the World Bank Emergency Drought Recovery programme and El-Nino Project and been the implementation team leader of IFMIS at the National Treasury.

Mr. Ogolla has over 30 years' work experience gained from his previous positions as Deputy Director of Budget and Assistant Accountant General at the National Treasury. He also served as Chief Finance Officer in the Ministry of Industrialization as well as a Board Member of the Kenya Industrial Estates Limited. He has successfully completed the Trustee Development Programme Kenya offered by the College of Insurance.

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Ms. Irene Arimi – Trustee, Board Secretary

Ms. Arimi holds a master's in business administration (MBA) in HR from Kenya Methodist University (KeMU). She also holds a Bachelors' degree in HR Management and Higher National Diploma in HR both from the University of South Africa (UNISA) as well as a Certificate in Executive Human Resource Management from the Institute of Human Resource Management.



Ms. Arimi has over 16 years' experience in Human Resource. Previously she worked at the Kenya Methodist University as Administrative Officer – HR, at the William J. Clinton Foundation HIV/AIDS Initiative [CHAI] in Papua New Guinea as HR Coordinator and at Marketing, Travel and Credit Consultancy (MTC), Botswana as Products and Services Manager. She has also worked with Deloitte, South Africa/Botswana as HR Management Assistant. She is a member of the Institute of Human Resources Management (IHRM). She has successfully completed the Trustee Development Programme Kenya offered by the College of Insurance.

Ms. Rhoda Rutto

Ms Rhoda Rutto is an Advocate of the High Court of Kenya. She is a member of both the Law Society of Kenya and the East Africa Law Society. She has also earned professional certificates in the areas of Constitutional Law, Human Rights, Conflict Resolution, Leadership and Company Secretarial duties.

She holds a Master of Laws degree in Constitutional Law and Human Rights, from the University of Dar-e-salaam (Tanzania) Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Law from Moi University.



Ms Rutto previously worked at the Office of the Attorney General and Department of Justice as a State Counsel and the Judiciary where she was a Law Clerk at the Supreme Court of Kenya. Before joining the OCOB Ms Rutto was the Deputy Director, Legal Services at the Teachers Service Commission. She brings in a wealth of experience from the Public Service. She has successfully undergone the Trustee Development Program Kenya (TDPK) offered by the College of Insurance.

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Joseph Marembo

Mr Marembo is a holder of Master of Business Administration (Finance Option), Degree of Bachelor of commerce (Accounting option) at Second Class Honours, Upper Division both from the University of Nairobi, a CPA (K) certified accountant from Strathmore University and Computerized Accountant from KCA-University and a member of ICPA (K). He is currently pursuing PhD in Finance at the University of Nairobi and Certificate of Proficiency - Trustee development program Kenya (TDPK).



Faith Kimani

Ms. Faith Kimani is a holder of a Bachelor of Commerce (Human Resource Management Option) from the University of Nairobi, and a diploma holder of Tourism Management from Technical University, with a combined experience of over 8 years in administrative duties. She currently serves as a Trustee Member at the Office of the Controller of Budget Staff Retirements Benefits Scheme and has successfully undergone the Trustee Development Program offered by the College of Insurance. She is currently pursuing a Certified Secretaries Course at KCA University.



Farhiya Ibrahim Sheikh

Mrs. Ibrahim is a holder of Master of Business Administration (Finance Option) Mount Kenya University and a Bachelors Degree of Bachelor of commerce (Finance option) at Second Class Honours, Upper Division from the University of KCA, a CPA part two and Diploma business management from Kenya institute management - Trustee development program Kenya (TDPK). She is currently pursuing her PhD in Strategic management at Jomo Kenyatta University of Agriculture and Technology



**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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3 STATEMENT OF THE TRUSTEES' CHAIRMAN

The Office of the Controller of Budget (OCOB) received an unqualified (clean) audit opinion from the Auditor General for the 2022 financial year. This commendation follows an audit of the annual report and financial statements for the Staff Retirement Benefits Scheme for the year ended December 31, 2022

Most economies experienced turbulent challenges in the year 2023 and is expected to continue as shown from the World Bank growth rates. Kenya's economy was resilient and continued to recover from the effects' of 2023 tough external debt repayment plan with a real GDP increasing by 4.7% year on year in the first nine months of 2023. The National Treasury reports indicate the economy grew by 4.7% in 2023 which was however lower than 5.5% in a similar period in 2022.

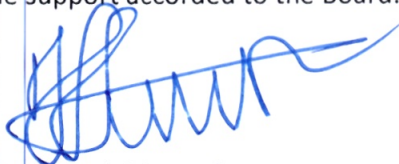
The Central Bank raised the policy rate to 10.5% by the end of the year. This yielded the required effect with inflation averaging 7.60% which was close to the projected range of between 2.5% to 7.5% in December, 2023 as per KNBS report. This compared well with 9.09% in a similar period in the prior year.

Kenya's medium-term growth prospects remain positive with GDP projected to grow by 5.2% on average in 2023-2024. According to the World Bank report this is anchored on robust growth of Credit to the Private Sector, a near term recovery in agricultural production and high commodity prices favourable to Kenyan exports.

The OCOB SRBS return on investment rate of 10.45 % in 2023 which was a growth from 9.5% in year 2022.

The Board of Trustees who are also the custodians of the Fund are in the process of implementing governance structures to be in line with the new regulations set by the Retirement Benefits Authority. Key constraints to these however are the inadequate funding available to the Board for fast tracking the completion of the activity.

I take this opportunity to thank the founder, the fund Administrator and the fund Issuer for the support accorded to the Board.



CPA Joseph Marembo

Ag. Chairman Board of Trustees

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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4 REPORT OF THE TRUSTEES

The trustees present their report together with the audited financial statements for the year ended 31 December 2023

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established, and is governed, by a trust deed dated 28 June 2017. It is a defined contribution plan and provides, under the rules of the fund, retirement benefits for the staff of Office of The Controller of Budget, Kenya. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority. Contributions by employer is at 20.0% and employees at 10.0% of the individual members' basic salaries.

MEMBERSHIP

	2023	2022
As at 01.01.2023	123	118
Add:		
New	14	7
Deferred	-	3
Total	137	128
Less:		
Leavers & Deferred Members	(1)	(5)
As at 31/12/2023	136	123

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 1 shows an increase in the net assets of the fund for the year of Kshs.78,356,668 (2022: Kshs.62,264,899) and the statement of net assets available for benefits on page 2 shows the fund's net assets of Kshs.365,418,531 (2022: Kshs.286,564,740).

INVESTMENT OF FUNDS

Under the terms of their appointment Jubilee Financial Services Limited are responsible for the investment of available funds. The overall responsibility for investment and performance lies with the trustees.

The members' funds are invested with The Jubilee Life Insurance Limited in an Administered Deposit account and net interest at the rate of 10.45% (2022:9.5%).

The investment portfolio as of 31st December 2023 is as shown below.

Investment Category	Ratio	RBA limit.
Treasury bills and treasury bonds	85.14%	90%
Real estate	2.06%	30%
Fixed and call deposits	0.64%	30%
Investment in quoted shares	5.10%	70%
Investment in unquoted shares	7.06%	10%
Total	100%	

The scheme investment portfolio was in accordance with RBA investment regulations.

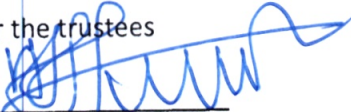
EXPENSES

The full costs of administration and management of the fund are borne by the Office of the Controller of Budget staff retirement benefit scheme.

Auditors

Office of the Auditor General were appointed in office during the year by the trustees and have expressed their willingness to continue in office in accordance with the Trust Deed and scheme's Rules.

For the trustees


**(CPA Joseph Marembo),
Ag. Chairman Board of Trustees**

27/03/2024

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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5 STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Kenyan Retirement Benefits Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Retirement Benefits Act. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Trustees should assess the Fund's ability to continue as a going concern and disclose, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of Trustees on 27/03/2024 and signed on its behalf by:



CPA Joseph Marembo
Ag. Chairman



Faith Kimani
Trustee

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

6 SCHEME FUND GOVERNANCE DISCLOSURE STATEMENT

I. MEMBERSHIP					
Name of Trustee	Sponsor/Member	No. of meetings attended	Certified	Highest academic qualification	Member of other pension boards
Mr. Macklin Ogolla	Sponsor Representative	3	YES	MBA	NO
Ms. Irene Arimi	Sponsor Representative	3	YES	MBA	NO
Ms. Rhoda Rutto	Sponsor Representative	3	YES	Bachelors of Law	NO
George Leleito	Member Representative	3	YES	BBIT	NO
Faith Kimani	Member Representative	3	YES	Bachelors of Commerce	NO
Fahriya Ibrahim	Member Representative	2	YES	MBA	NO
Joseph Marembo	Member Representative	2	YES	MBA	NO

II. TRUSTEES MEETINGS	
	The board of trustees held meetings during the year ended 31 December 2023. The meetings were held on the dates set out hereunder:
	a) Friday 3 rd March, 2023
	b) Thursday 23 rd March, 2023
	c) Wednesday 10 th May, 2023
	d) Friday 26 th May, 2023

III. THE COMPOSITION OF THE BOARD		
The composition of the board of trustees is as hereunder:		
Gender balance:	Female 40%	Male 60%
Skills mix: No. of trustees with financial skills	1	2
Age mix: Number of trustees who are younger than 35 years -	-	1
Number of trustees who are older than 35 years -	3	3

IV. FIDUCIARY RESPONSIBILITY

The board of trustees is the governing body of OCOB SRBS and is responsible for the corporate governance of the fund. The trustees are responsible for ensuring that the administration of the fund is conducted in the best interests of the scheme's members and sponsor. To achieve this, the trustees embraced their fiduciary responsibility by:

- a) Acting honestly and not improperly using inside information or abuse their position.
- b) Exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in the circumstances; and
- c) Performing their duties with the requisite degree of skill.

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
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The fund has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the scheme's business operations.

The trustees have ensured that the fund managers carried out management of all fund investments and that all fund assets and funds are held by the custodian.

The adopted board charter and other policy documents are being reviewed and others which had not been developed are currently being prepared.

V. RESPONSIBILITY CORPORATE CITIZENSHIP

The fund has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.

VI. KEY OUTCOMES

The board of trustees seeks to achieve the following:

- a. Building trust with the members and sponsor of the fund so that they are satisfied with the administration of the fund;
- b. Supporting innovation and developing solutions that meet the members' and sponsor's needs;
And
- c. Ensuring that the fund's administrative processes remain transparent and accessible to members and the sponsor.

The Board of Trustees will measure the progress towards these outcomes through:

- a. Triennial members' survey score.
- b. Regular reports and feedback from the sponsor.

VII. ANNUAL GENERAL MEETING

The Board of Trustees held the annual general meeting on 23rd March, 2023 at which - members, making up 50% of the fund members attended. The Board adequately addressed the members' concerns.

VIII. MEMBERS' SENSITIZATION

There was no member sensitization carried out during the year.

IX. TRUSTEES' REMUNERATION

During the year under review, the trustees were not remunerated.

X. BOARD OF TRUSTEES' EVALUATION

There was no board of trustee evaluation conducted during the year.

For the Trustees



CPA Joseph Marembo

Trustee



Faith Kimani

Trustee

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME FOR THE YEAR ENDED 31 DECEMBER, 2023

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 intended purpose.
- C. Report on the 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, risk management environment and 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

Opinion

I have audited the accompanying financial statements of Office of the Controller of Budget Staff Retirement Benefits Scheme set out on pages 1 to 10, which comprise of the

Report of the Auditor-General on Office of the Controller of Budget Staff Retirement Benefits Scheme for the year ended 31 December, 2023

statement of net assets available for benefits as at 31 December, 2023 and the statement of changes in net assets available for benefits, cashflow statement 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, the financial statements present fairly, in all material respects, the financial position of Office of the Controller of Budget Staff Retirement Benefits Scheme as at 31 December, 2023 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 Retirement Benefits Act, 1997 (Revised 2018) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Office of the Controller of Budget Staff Retirement Benefits Scheme Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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 Information

In connection with my audit on the Office of the Controller of Budget Staff Retirement Benefits Scheme financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter discussed 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.

Report of the Auditor-General on Office of the Controller of Budget Staff Retirement Benefits Scheme for the year ended 31 December, 2023

Basis for Conclusion

Non-Compliance with Trust Deed and Rules on Appointment of Board Members of the Board of Trustees

Review of the Board of Trustee membership and their appointment revealed that Members of the Board of Trustees have been in office since establishment of the retirement scheme in June, 2017. Although Management indicated that the delay in conducting elections was due to lack of an elections manual and that it had initiated the process of conducting elections by preparing election manual, the manual had not been approved by the sponsor at the time of the audit. Therefore, the Board of Trustee served for more than six years, contrary to provisions of Clause 7 (h) of the Trust Deed and Rules which state that unless removed from office, Trustees shall serve in that capacity for a further period of three (3) years only.

In the circumstances, the Board of Trustee was in breach of the Trust Deed and Rules.

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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to terminate the Scheme 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Scheme'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 give an assurance on the effectiveness of internal controls, risk management and 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. 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 Scheme to cease to continue as a going concern.
- 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 Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 which may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 August, 2024

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31
 DECEMBER 2023

		2023 Kshs	2022 Kshs
Income from dealings with members			
Employee contributions	1(b)	15,696,996	16,650,475
Employer contributions	1(b)	30,854,993	32,712,951
Contributions receivable	1(b)	4,494,094	-
Transfers in	1(c)	1,727,943	-
		<u>52,774,026</u>	<u>49,363,426</u>
Outgoings from dealings with members			
Withdrawals	2	1,151,544	8,795,461
		<u>51,622,482</u>	<u>40,567,965</u>
Net additions from dealings with members			
Returns on investments			
Investment Income	3	32,337,366	23,236,662
Less Fund expenses	6	5,603,185	3,834,703
		<u>26,734,181</u>	<u>19,401,959</u>
Net return on investments			
		<u>78,356,663</u>	<u>59,969,924</u>
Increase in net assets for the year			
		286,564,740	226,594,816
Prior year adjustment	8	497,128	-
		<u>365,418,531</u>	<u>286,564,740</u>
Net assets available for benefits at the end of the year.			

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9 STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2023.

		2023	2022
		Kshs	Kshs
Assets			
Managed funds	5(a)	362,265,556	287,342,018
Cash withheld for tax purposes		583,935	331,416
Contributions receivable	1(b)	4,494,094	-
Total assets		<u>367,343,585</u>	<u>287,673,434</u>
Less: Liabilities			
Fund payables	7	1,925,054	1,108,694
Net assets available for benefits		<u>365,418,531</u>	<u>286,564,740</u>
Represented by			
Member's Balances	5(b)	<u><u>365,418,531</u></u>	<u><u>286,564,741</u></u>

The financial statements on pages 1 to 10 were approved for issue by trustees on 27/03/2024
 and signed on their behalf by:



CPA Joseph Marembo
 Ag. Chairman



Faith Kimani
 Trustee

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10 CASHFLOW STATEMENT FOR THE YEAR ENDED 31/12/2023

		2023 kshs	2022 kshs
Cash flow from Operating Activities			
	Notes		
Contributions Received		46,551,990	49,363,426
Transfer in	1(c)	1,727,943	-
Less:			
Tax withheld	3	- 4,263,215	-3,043,512
Withdrawal Benefits Paid	2	- 1,151,544	-8,795,461
Audit Fee		- 203,000	-
RBA Levy		- 573,129	-453,190
Net Cash Generated from Operations		<u>42,089,045</u>	<u>37,071,263</u>
Cash flow from investing Activities			
Investment income Received	3	32,337,366	23,236,662
Net cash used in investing Activities		<u>32,337,366</u>	<u>23,236,662</u>
Increase/(Decrease) in cash and cash Equivalents		<u>74,426,411</u>	<u>60,307,925</u>
Movement in cash and cash equivalent			
At the start of the year		287,342,018	227,034,093
Change during the year		74,426,411	60,307,925
Prior year adjustment	8	497,128	-
At the end of the year		<u>362,265,557</u>	<u>287,342,018</u>



CPA Joseph Marembo
Ag. Chairman



Faith Kimani
Trustee

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The notes on pages 4 to 10 form part of these financial statements.

11 NOTES

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Retirement Benefits Act 1997 as amended, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits that fall due after the end of the year.

The financial statements are presented in the functional currency, Kenyan Shillings (Shs). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Scheme

Amendments to IAS 1 'classification of liabilities as Current or Non-current (Issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after reporting date.

Amendment of IFRS 9 Financial instruments 'Fees in the '10 percent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include fees paid or received by either the borrower or lender on the other behalf.

Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods on or before 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting

estimates

1 Summary of significant accounting policies (continued)

(i) *New standards and interpretations not yet adopted (continued)*

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing this financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below

(ii) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing this financial statement. None of these is expected to have a significant effect on the financial statements of the Fund, except the following set out below

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification

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and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

(ii) New standards and interpretations not yet adopted (continued)

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management use for risk management purposes

The amendment to IAS 12 is effective 1 January 2017

Disclosure Initiative – Amendments to IAS 7; Effective 1 January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a net debt, reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the fund

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1(a) Administered deposit account

The scheme operates an administered deposit account with The Jubilee Life Insurance Limited. Under this arrangement, contributions received are remitted to the Jubilee Life Insurance Limited for investment in a variety of investment securities on a pooled basis with funds from other contributing entities. The Board of Trustees have adopted the guidelines issues by RBA on guaranteed pool funds for purposes of investment. The Jubilee Life Insurance Ltd can only invest on specified instruments as guided by RBA guidelines on proportion of scheme funds to be invested in different asset classes. The Jubilee Life Insurance Limited pays interest on the funds invested, at the end of each year.

(b) Contributions

	2023	2022
	Kshs	Kshs
Employer	30,854,993	32,712,951
Employee	15,696,996	16,650,475
Contributions receivable	4,494,094	-
	51,046,083	49,363,426

(c) Transfers in

Transfers are recognised in the period in which members join from other schemes or leave for other schemes.

Transfer values represent the amounts receivable in respect of newly joined members from the provident funds of their previous employers or payable to the provident funds of new employers of members who have left service.

NAME	AMOUNT	RECEIPT DATE
Mohamed Musa Aden	429,697	22-Mar-23
Hilda Khatiebi Moahshem	1,298,246	26-Sep-23
	1,727,943	

2. Benefits paid.

Benefits paid to members withdrawing from the scheme are recognised as liabilities in the period in which they fall due.

NAME	AMOUNT (KSH.)	DATE PAID	REASON
George Leleito Kiptoo	1,151,544	DEC-23	Transfer

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3	Income from investments		
	Interest credited on the deposit administered account is paid to the fund net of administrative expenses. It is accounted for in the period in which it is earned.		
	The scheme earned interest on funds deposited with the Jubilee Life Insurance Limited at 10.45% during the year, after taking into consideration expenses relating to fund management.		
	2023	2022	
	Kshs	Kshs	
	Investment Income		
	14,210,717	10,145,039	
	Total Un. Reg Interest		
	18,126,649	13,091,623	
	Total reg Interest		
	32,337,366	23,236,662	
	Total Gross Income		
	331,416	856,700	
	Tax payable at start of year		
	4,263,215	3,043,512	
	Add Tax Charge at 30%		
	3,679,280	3,568,796	
	Less Tax paid during the year.		
	583,935	331,416	
	Tax payable		

4 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5 Financial risk management objectives and policies

The fund's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the fund does not hedge any risks.

Risk management is carried out by the investment manager under policies and guidelines approved by the trustees.

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Market risk

The amount that best represents the fund's maximum exposure to credit risk at 31 December 2023 is made up of administered deposit as follows:

These are funds invested with jubilee insurance and interest is credited at the declared rates

	2023	2022
	Kshs	Kshs
Funds held by Jubilee	362,265,556	287,342,018
Cash withheld for tax	583,935	331,416
Administered Deposit Account	362,849,491	287,673,434

Managed funds

The amounts indicate net assets at the year end inclusive of payables

Net assets available for benefit at end of the year.	365,418,531	286,564,741
Less fund net current asset	2,569,039	1,108,694
Managed fund	362,849,491	287,673,435

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to meet any probable benefit payments to members of the fund.

All payments are made from deposits managed in a guaranteed fund by The Jubilee Insurance Company of Kenya Limited. The liquidity risk is therefore minimal.

6 Fund expenses

RBA Levy 0.2%	732,119	574,278
Audit fee Current year provision	203,000	203,000
Audit fees in arrears (2018 & 2019)	406,000	-
RBA Levy overprovision	- 1,149	13,913
Tax	4,263,215	3,043,512
	5,603,185	3,834,703

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	2023 Kshs	2022 Kshs
7 Payables		
RBA Levy	732,119	574,278
Audit fee	609,000	203,000
Tax payable	583,935	331,416
Total	<u>1,925,054</u>	<u>1,108,694</u>

8 Prior year adjustment

This refers to 2022 transfers into the scheme that related to the two members listed below.

NAME	AMOUNT	RECEIPT DATE
Julius Cheche Kihara	14,956	24-Nov-22
Obaso Jared Ochoki	479,045	06-Dec-22
Interest earned thereon	3,127	
Total	497,128	

9 . Tax status of the Fund

Office of the Controller of Budget Staff Retirement Benefits Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income to the extent allowed under the Finance Act. Investment income arising from the funds relating to excess contribution is subject to tax at the corporate tax rate of 30%.

10. Policies to be adopted by the Trustees

The RBA made changes on the Retirements Benefits Authority Act to accord retirement benefits schemes proper governance and management structures which the scheme adopted.