

# Annual Report & Financial Statements 2006-2007

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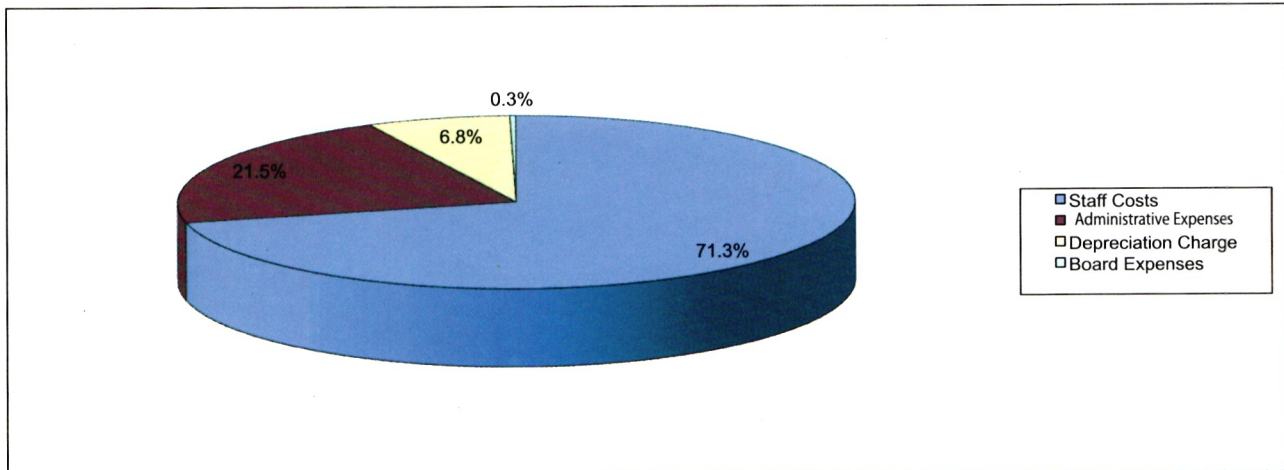
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## STATISTICAL INFORMATION

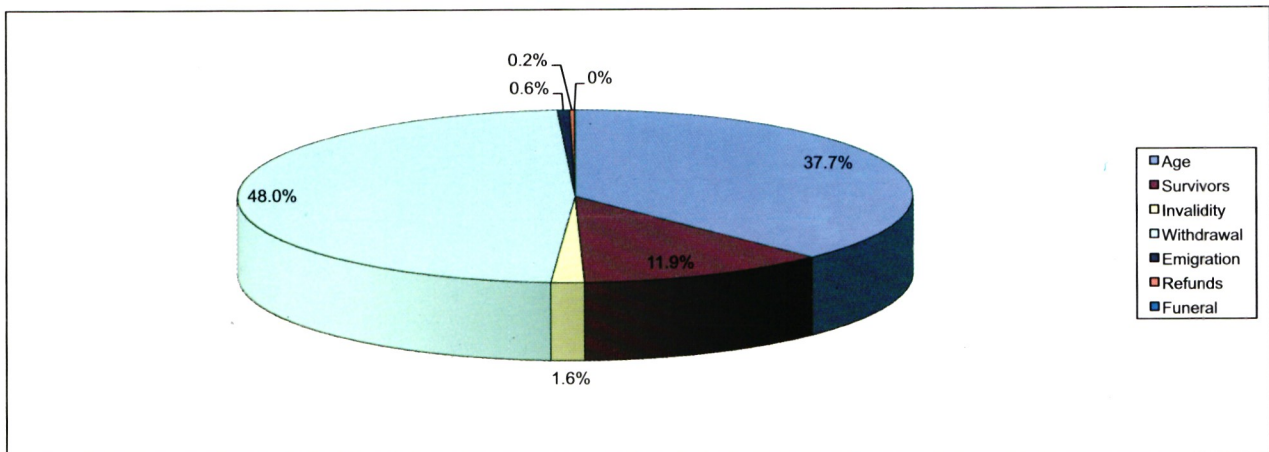
### 1) EXPENDITURE

DETAILS	Kshs. '000	%
Staff Costs	1,930,416	71.3
Administrative Expenses	582,314	21.5
Depreciation Charge	185,196	6.8
Board Expense	7,852	0.3
	<b>2,705,778</b>	<b>100</b>



### 2) BENEFIT PAYMENTS

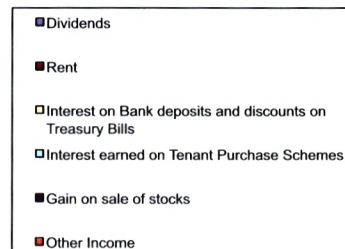
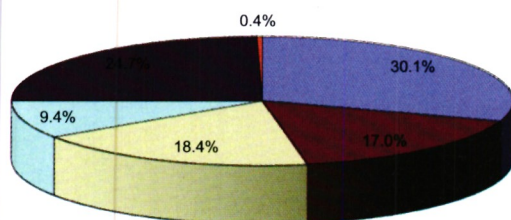
TYPE	Kshs. '000	%
Age	911,623	37.7
Survivors	287,941	11.9
Invalidity	38,710	1.6
Withdrawal	1,161,734	48.0
Emigration	14,302	0.6
Refunds	5,378	0.2
Funeral	477	0.0
	<b>2,420,165</b>	<b>100</b>





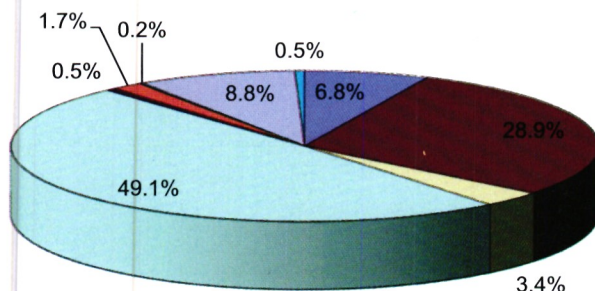
### 3) INVESTMENT INCOME

DETAILS	Kshs. '000	%
Dividends	1,198,494	30.1
Rent	676,598	17.0
Interest on Bank deposits and discounts on Treasury Bill and Bonds	732,641	18.4
Interest earned on Tenant Purchase Schemes	374,659	9.4
Gain on sale of stocks	982,877	24.7
Other Income	14,746	0.4
	<b>3,980,015</b>	<b>100</b>



### 4) INVESTMENTS

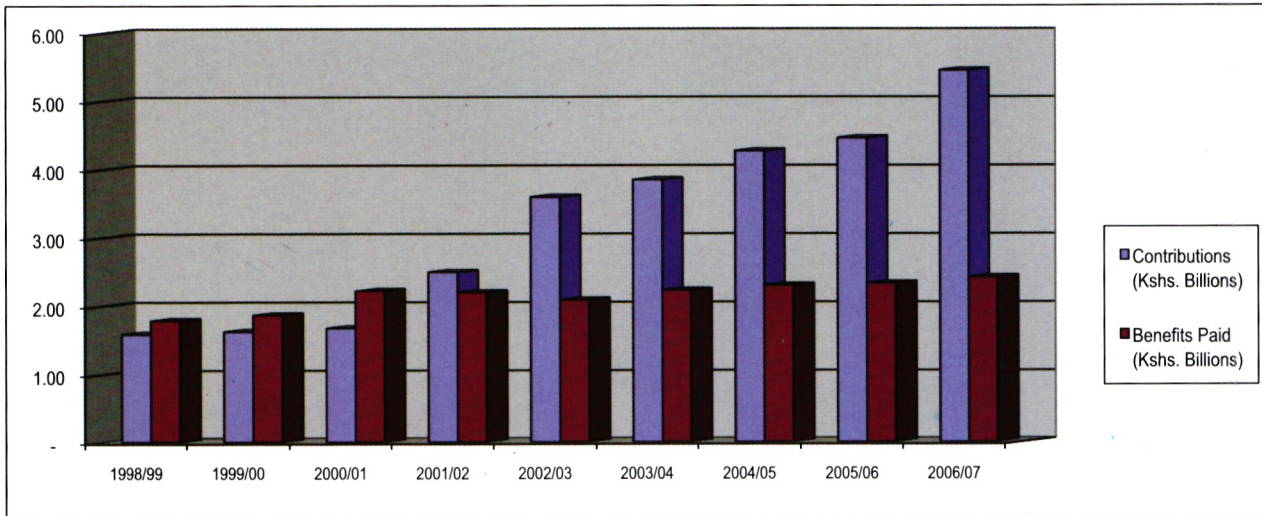
DETAILS	Kshs. '000	%
Undeveloped Land	5,413,698	6.8
Land and Buildings	22,856,104	28.9
Tenant Purchase Scheme Debtors	2,672,573	3.4
Quoted Equities	38,811,620	49.1
Government of Kenya Stocks	408,800	0.5
Unquoted Stocks and Equities	1,380,500	1.7
Treasury Bills	155,987	0.2
Treasury Bonds	6,919,637	8.8
Deposits with Financial Institutions	426,750	0.5
	<b>79,045,669</b>	<b>100</b>



**5) CONTRIBUTIONS FOR THE YEAR VERSUS BENEFITS PAID**

Financial Year ended 30th June

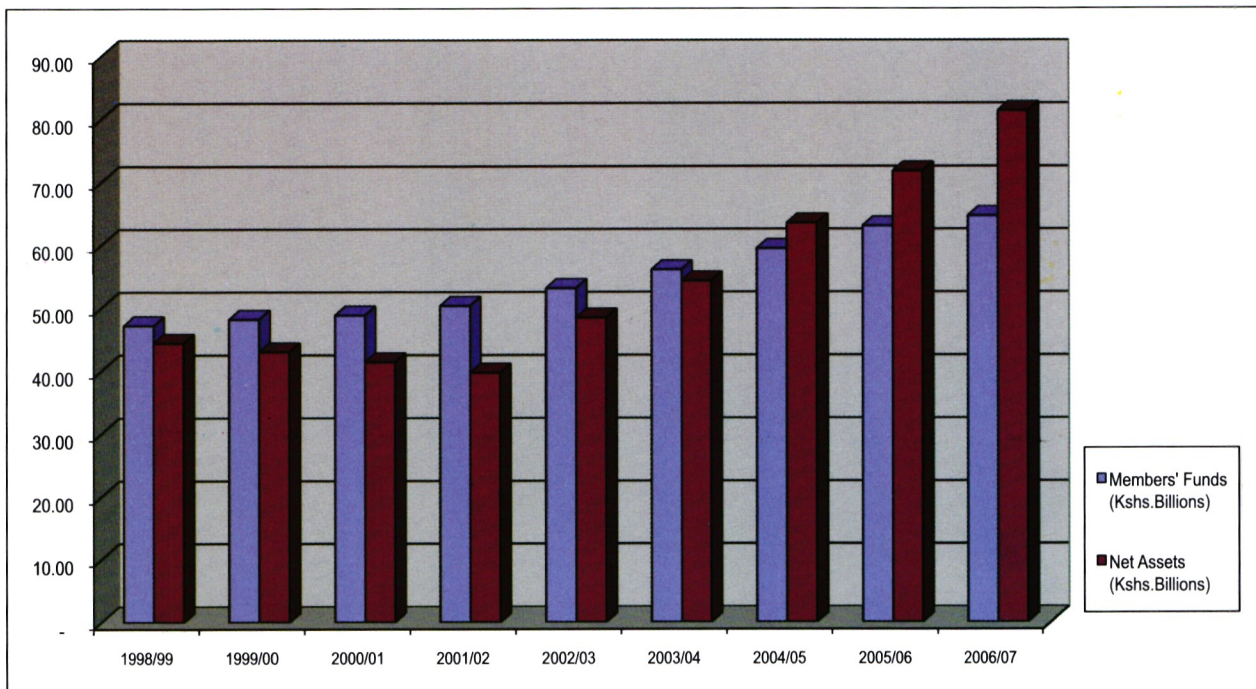
Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Contributions (Kshs. Billions)	1.59	1.63	1.68	2.50	3.60	3.85	4.27	4.46	5.45
Benefits Paid (Kshs. Billions)	1.79	1.87	2.22	2.20	2.09	2.23	2.30	2.33	2.42



**6) MEMBERS' FUNDS AND NET ASSETS**

Financial Year ended 30th June,

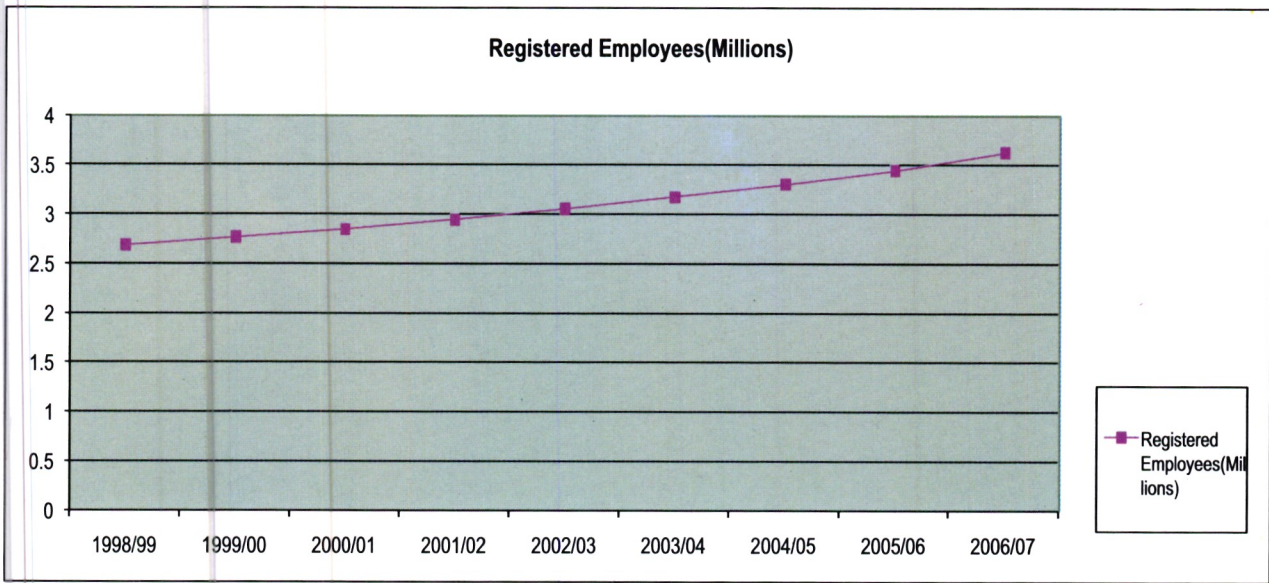
YEAR	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Members' Funds (Kshs. Billions)	47.20	48.20	48.84	50.35	53.12	56.06	59.43	63.01	64.6
Net Assets (Kshs. Billions)	44.40	43.00	41.40	39.71	48.42	54.25	63.47	71.75	81.31





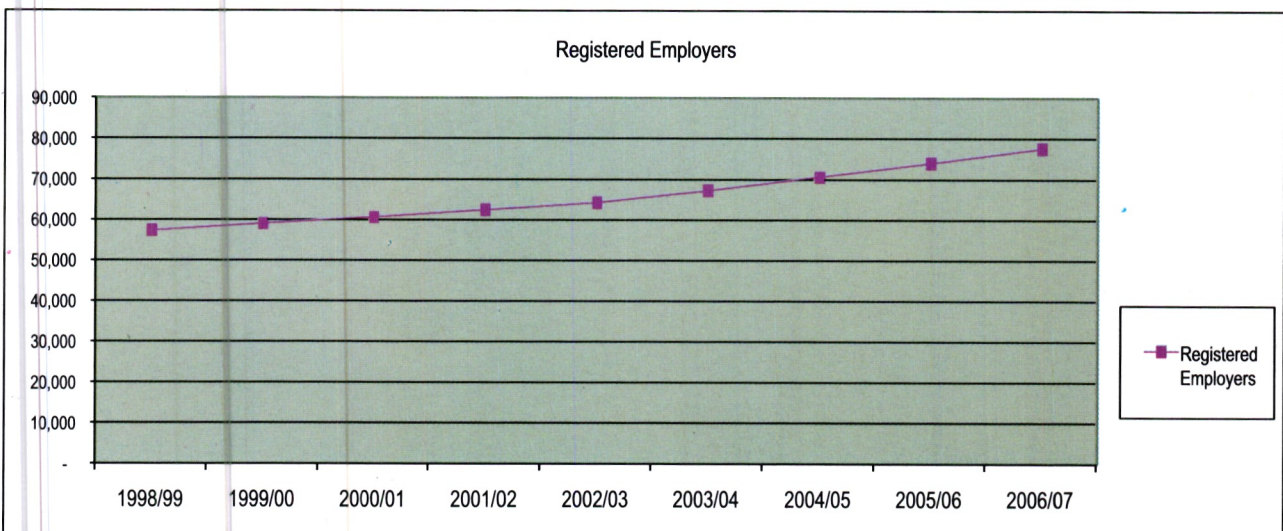
**7) REGISTERED EMPLOYEES**

YEAR	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Registered Employees(Millions)	2.69	2.77	2.85	2.95	3.06	3.18	3.31	3.45	3.63



**8) REGISTERED EMPLOYERS**

YEAR	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Registered Employers	57,356	59,046	60,634	62,483	64,329	67,350	70,617	74,048	77,660



## BOARD OF TRUSTEES



**Ms. Jane S. Mwangi**  
Chairman



**Mr. Joseph Kinyua**  
Trustee



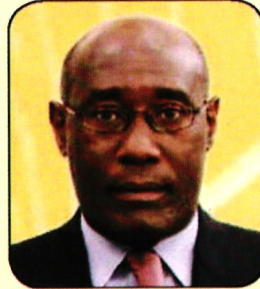
**Ms. Rachel Lumbasyo**  
Managing Trustee



**Mr. Francis Atwoli**  
Trustee



**Mr. Jumaa Makopa**  
Trustee



**Mr. Karanja Kabage**  
Trustee



**Mr. Mark K. Bor**  
Trustee



**Mr. Cornelius O. Nyang'un**  
Trustee



**Ms. Jacqueline Mugo**  
Trustee



## CHAIRMAN'S REPORT

I have the pleasure to present the Fund's Annual Report and Financial Statements for the year ended 30th June, 2007.

### REVIEW OF THE KENYAN ECONOMY

The Kenyan economy grew by 6.1% in 2006/2007 compared to 5.8% witnessed in 2005/2006. The growth was attributed mainly to improved macroeconomic management and structural reforms undertaken by the Government. The recovery over the past years has been broad, cutting across all the key sectors which include tourism, agriculture, manufacturing, transport, communication and commercial sectors. This growth has reduced the level of external funding to about 1% of GDP. However, the cost of crude oil, a major/significant ingredient in most of the sectors, remained high and volatile.

Agriculture and forestry recorded a growth of 7.7% compared to a growth of 4.7% over the same period in 2005/2006, due mainly to increased production of cut flowers, vegetables and fruits. Sugar cane production grew by 6.6% while coffee production grew by 5.6%. However, tea production declined slightly in the period under review as compared to the same period in 2005/2006.

Manufacturing grew by 7.5% in 2006/2007 compared to 9.4% in 2005/2006. The decline is attributed to the high cost of inputs. Electricity and water sub sector recorded a growth of 9.9% compared to a contraction of 1.6% during 2005/2006. The high generation of hydro-based power compared to thermal-based power continued to spur the subsector.

The continued demand for distributive services enabled the wholesale and retail trade sector to grow at 7.1% in 2006/2007 while transport and communication sector recorded an average growth of 8.5% in 2006/2007 due largely to growths in tourism arrivals and departures, and the internet and mobile telephony subsectors.

The tourism sector recorded a high growth of 19.5% during the period due to increased bed occupancy as a result of Kenya being the tourist destination of choice with earnings topping Kshs.56.2 billion in 2006/2007.

The building and construction sector recorded a growth of 22.4%, resulting in 23% growth in consumption of cement in 2006/2007.

Month-on-month overall inflation rate accelerated from 10.1% in July 2006 to 11.1% in June 2007, while underlying inflation rate which excludes food items decreased marginally from 5.3% in July 2006 to 5.2% in July 2007. These impressive growths had a direct positive impact on the Fund's operations during the financial year in review.

### FUND'S RESULTS

The Fund realized Kshs.9.56 billion net increase in scheme funds in the year compared to Kshs.8.37 billion in the previous year, an increase of 14%. The major contributors to this position were investment income, Kshs.3.98 billion, and change in market value of investments, Kshs.5.26 billion. Administrative costs increased marginally to Kshs.2.71 billion from Kshs.2.62 billion in 2005/2006, an increase of 3%.

The Fund's net investment portfolio improved from Kshs.70.54 billion in 2005/2006 to Kshs.79.05 billion in 2006/2007. The investments were in the following classes.

Class	Kshs. Million 2005/2006	Kshs. Million 2006/2007	Percentage
Government Stocks	5,999	7,484	9.5
NCC & Unquoted Stocks	1,381	1,381	1.7
Tenant Purchase Scheme	2,978	2,673	3.4
Term Deposits	398	427	0.5
Real Estate	27,679	28,269	35.8
Quoted Securities	32,109	38,812	49.1
	<b>70,544</b>	<b>79,046</b>	<b>100.0</b>







The significant growth in quoted securities was a result of a deliberate policy by the Fund to continue making investments in blue chip companies at the Nairobi Stock Exchange.

During the under review the Fund's net assets grew from Kshs.71.84 billion in 2005/2006 year to Kshs.81.31 billion in 2006/2007, an improvement of 13%.

## OUTLOOK

In line with the statutory requirements and other prudential standards, the Fund continues to rationalize its investment portfolios through disposal of non-core real estate, trading in equity shares to lock-in capital gains and investment in government securities. Meanwhile, the conversion process from a provident fund to a Social Insurance Pension Trust is before parliament for subsequent enactment. The Fund's management is keen to carry through this process that will greatly benefit the Fund members. It is hoped that the mayhem that occurred after the December, 2007 general election will be resolved so that the business of the Fund will continue to thrive in a peaceful environment.

## APPRECIATION

I take this opportunity to thank the management, staff, Fund members and their employers for their continued support, without which the results realized would not have been possible. Finally, I wish to thank my colleagues in the Board of Trustees for their selfless support since I assumed the office of the Chairperson. Special gratitude goes to my predecessor, Mr. Edgar I. Manasseh, for his strong leadership of the Board during his three year tenure.

JANE S. MWANGI (MRS)  
CHAIRPERSON



## REPOTI YA MWENYEKITI

Nina furaha kuu kuwasilisha ripoti ya matumizi ya fedha ya kila mwaka ya hazina ya NSSF ya mwaka uliomalizika tarehe 30 Juni, 2007 .

### UTENDAJI WA UCHUMI WA KENYA

Katika kipindi cha mwaka wa 2006/2007 uchumi wa Kenya ulionyesha kuendelea kwa ukuaji kwa kiwango cha asilimia 6.1 % ikilinganishwa na asili mia 5.8 % katika mwaka wa 2005/2006. Hali hii ya uimarikaji wa uchumi ilitokana na usimamizi bora na marekebisho ya utendaji yaliyo tekelezwa na serikali .Katika miaka iliyopita kumekuwa na marekebisho ya kuboresha utendaji katika sekta zote za uchumi ikiwa ni pamoja na sekta ya utalii, kilimo, utengenezaji bidhaa , uchukuzi, mawasiliano na pia sekta za biashara . Kuendelea kwa ukuaji wa uchumi kumewezesha upunguzaji wa mikopo ya fedha kutoka nchi za nje kwa kiwango cha asili mia 1% ya mapato ya jumla ya nchi (GDP). Hata hivyo, gharama ya mafuta ambayo hayajasafishwa, yanayotegemewa kwa kuwa ni kiungo muhimu katika sekta nyingi za uchumi ilipanda juu kiasi kuwa haingeweza kutegemewa.



**Ms. Jane S. Mwangi**  
Chairman

Sekta za kilimo na misitu zilionyesha kuendelea kwa ukuaji kwa kiwango cha asili mia 7.7 % ikilinganishwa na asilimia 4.7% katika kipindi cha 2005/2006, hii ni kutokana na ongezeko la mazao ya mboga , matunda na maua. Nayo mavuno ya miwa yaliongezeka kwa asili mia 6.6% huku mavuno ya kahawa yakiongezeka kwa kiwango cha asili mia 5.6%..Hata hivyo utoaji wa majani chai ulipungua kiasi katika kipindi tunacho kizungumzia ikilinganishwa na kipindi cha 2005/2006.

Sekta ya utengenezaji bidhaa iliionyesha kuendelea kwa ukuaji kwa kiwango cha asili mia 7.5% katika kipindi cha mwaka 2005/2006, ikilinganishwa na asili mia 9.4% mwaka 2005/2006. Upungufu huu ulitokana na gharama za juu za huduma na bidhaa za utengenezaji bidhaa. Sekta ya stima na maji ilionyesha ukuaji kwa kiwango cha asili mia 9.9% ikilinganishwa na mwaka 2005/2006. Utumizi mwingi wa kawi ya maji ikilinganishwa na kawi ya mvuke wa ardhi uliendelea kuathiri vibaya sekta hii.

Mahitaji kwa wingi ya huduma za usambazaji yaliwezesha sekta ya uuzaji wa bidhaa za jumla na za rejareja kuendelea kukua kwa asilimia 7.1% katika mwaka 2006/2007 huku sekta ya uchukuzi na mawasiliano ikionyesha uimarikaji wa kadri ya asili mia 8.5% mwaka 2006/2007 kutokana na ongezeko la huduma za utalii za safari za ndege na matumizi ya mitandao na simu za mikono.

Sekta ya utalii ilionyesha kuendelea kwa ukuaji kwa kiwango cha asili mia 19.5% katika kipindi tunacho kizungumzia kwa sababu ya ongezeko la utumizi wa mikahawa kutokana na sifa bora ya nchi ya Kenya kuwa chaguo la kipekee la utalii hivyo kuiletea nchi yetu mapato ya juu ya shilingi bilioni 56.2 katika kipindi cha 2006/2007.

Sekta ya ujenzi ilionyesha kuendelea kwa ukuaji kwa asili mia 22.4% kutokana ongezeko la asilimia 23% ya matumizi ya simiti katika kipindi cha mwaka 2006/2007.

Ongezeko la gharama ya maisha ya mwezi baada ya mwezi ilipanda kutoka asili mia 10.1% mwezi Julai 2006 hadi asili mia 11.1% mwezi Juni mwaka 2007 huku nayo gharama ya maisha kwa jumla isiyojumuisha bidhaa za chakula ikipungua kutoka asili mia 5.3% mwezi Julai 2006 hadi 5.2% mwezi Julai 2007. Ukuaji huu wa sekta mbali mbali ulichangia kwa matokeo bora ya shughuli za hazina ya NSSF katika mwaka tunaoukagua. Kulikuwa na ongezeko la uandikishaji wa wanachama na ongezeko la mchango wa pesa za hazina ya malipo ya uzeeni. Vile vile NSSF ilipata nafasi nyingi za kuzalisha raslimali zake kuambatana na sheria na sera za uwekaji raslimali.



## MATOKEO YA HAZINA.

Hazina ya malipo ya uzeeni ilipata ongezeko la jumla ya shilingi bilioni 9.56 mwaka huu ilikinganishwa na shilingi bilioni 8.37 katika mwaka uliopita, ongezeko la asili mia 14%. Sekta za mapato zilizochangia kwa ufanisi huu ni pamoja na mapato ya raslimali iliyochangia shilingi bilioni 3.98 na mabadiliko ya thamani ya soko la raslimali ikachangia shilingi bilioni 5.26. Gharama za usimamizi wa shughuli za kila siku ziliongezeka hadi shilingi bilioni 2.71 kutoka shilingi bilioni 2.62 mwaka 2005/2006, ongezeko la asili mia 3%. Ongezeko hili lilitokana na unandikishaji wa wanachama kwa wingi .

Kwa jumla raslimali ya hazina iliongezeka kutoka shilingi bilioni 70.54 katika mwaka wa 2005/2006 hadi shilingi bilioni 79.05 katika mwaka wa 2006/2007. Raslimali hii iliorodheshwa katika viwango vifuatavyo.

Kiwango	Shilingi million 2005/2006	Shilingi milioni 2006/2007	Asili mia %
Hisa za serikali	5,999	7,484	9.5
NCC na hisa ambazo hazijauzwa	1,381	1,381	1.7
Mpango wa ununuzi wa nyumba kwa wapangaji	2,978	2,673	3.4
Amana za muda Mali ya kuuzwa na kununuliwa	398	427	0.5
Thamana zinazouzwa	27,679	28,269	35.8
	32,109	38,812	49.1
	<b>70,544</b>	<b>79,046</b>	<b>100.0</b>

Ukuaji wa ununuzi wa hisa ulitokana na kutekelezwa kwa sera za hazina ya NSSF Zinazowezesha hazina ya NSSF kuendelea kununua hisa za makampuni kubwa katika soko la hisa la Nairobi.

Katika mwaka tunaoukagua raslimali ya jumla ya shirika la hazina la NSSF iliongezeka kutoka shilingi bilioni 71.84 katika mwaka 2005/2006 hadi shilingi bilioni 81.31 katika mwaka wa 2006/2007, ongezeko la asili mia 13 %.

Kwa mara ya kwanza katika historia ya shirika la hazina la NSSF, baada ya kutekelezwa kwa mfumo wa kimataifa wa kutoa taarifa za ukaguzi wa hesabu wa International Financial Reporting standards (IFRS's), taarifa ya ukaguzi wa hesabu ya mwaka 2006/2007

ilitayarishwa kwa kuzingatia mahitaji ya Halmashauri ya malipo ya wastaafu. Hazina ya NSSF pia ilizingatia sheria za mwaka 2002 za ushuru wa mapato (NSSF exemption) za kutadhimini raslimali zake na wakati huo huo kuwasilisha fomu za ushuru bila kuchelewa. Matayarisho ya taarifa ya ukaguzi wa hesabu yamefanyika kwa usahihi kwa

wakati ufaao. Hatua hizi zote zilichukuliwa na shirika letu ili kuhakikisha kuwa tunazingatia mahitaji yote ya kisheria kwa manufaa ya wanachama wetu.

Jukumu la msitari wa mbele la hazina ya NSSF ni kupokea michango ya pesa kwa niaba ya wanachama na kuweka raslimali kwa kutumia pesa hizi na hatimaye kuwalipa wanachama au jamaa zao madai ya malipo ya bima. Katika mwaka tunaoukagua hazina ya NSSF ilikusanya jumla ya shilingi bilioni 5.45 ikilinganishwa na shilingi bilioni



4.46 katika mwaka wa 2005/2006. Wakati huo huo idadi ya wanachama waliojiandikisha iliongezeka kutoka wanachama milioni 3.45 katika mwaka 2005/2006 hadi wanachama milioni 3.63 katika mwaka 2006/2007. Kuhusu malipo ya uzeeni, hazina ya NSSF ililipa jumla ya shilingi bilioni 2.42 ikilinganishwa na malipo ya shilingi bilioni 2.33 ya mwaka 2005/2006. Malipo haya yalijumuisha riba zilizotumwa katika akaunti za wanachama. Ili kutimiza ahadi ya kuwalipa wanachama riba, hazina ya NSSF imewajibika kuweka raslimali kwa busara, jambo limetuwezesha kupata mapato ya raslimali ya jumla ya shilingi bilioni 3.98.

## JUKUMU KWA JAMII

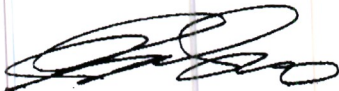
Katika mwaka tunaouzungumzia, hazina ya NSSF ilijihuzisha na shughuli nyingi kwa jamii. Shughuli hizi ni pamoja na utoaji damu katika wiki ya Kenyatta Day. Pia hazina ya NSSF ilishiriki katika matembezi ya Kenya Freedom From Hunger Walk na Mater Heart Run wakati huo huo kutoa mchango wa pesa kuwasaidia wanaoathiriwa na ugonjwa wa UKIMWI.

## HALI YA SIKU ZA USONI.

Kuambatana na sheria na masharti yanayotoa mwongozo wa usimamizi bora wa hazina ya malipo ya uzeeni, shirika letu linaendelea kuzalisha na kuuza raslimali, na kununua hisa za makampuni kubwa na za serikali. Na kwa sasa suala la kubadilisha hazina ya malipo ya uzeeni na kuifanya bima ya jamii ya malipo ya uzeeni bado linajadiliwa na hivi punde litawasilishwa bunge ili kupitishwa. Wasimamizi wa hazina ya NSSF wamejitolea kuhakikisha kuwa suala hili litapitishwa kwa manufaa ya wanachama. Kuanzishwa kwa awamu ya utoaji wa huduma bora ni thibitisho la jinsi NSSF inavyodhamini wanachama wake. Pia NSSF itazidi kutekeleza wajibu wake kwa hadhi na taadhima kwa kutoa huduma ya hali ya juu kwa wana chama wake, ikiwa ni pamoja na kuhakikisha kwamba wanachama wapya wanasajiriwa bila kuchelewa, kukusanya na kutoa malipo kwa wanachama bila kuchelewa. Inatumainiwa kuwa ghasia za kuharibu mali kama zile zilizotokea mwezi Desemba 2007, baada ya uchaguzi mkuu kamwe hazitatokea tena, ili hazina ya NSSF iendelee kuwatumikia wanachama katika mazingira yaliyo na amani.

## SHUKURANI

Nachukua nafasi hii kuwashukuru wasimamizi wa hazina ya NSSF, wafanyikazi, wanachama na wafanyikazi wao kwa kuendelea kutuunga mkono kwa kuchangia na kuufanya mwaka huu kuwa mwaka wa mafanikio. Pia ningetaka kuwashukuru wenzangu katika halmashauri ya wadhamini wa hazina ya NSSF kwa kuniunga mkono tangu nilipoteuliwa kuwa mwenyekiti. Pia namshukuru mwenyekiti mtangulizi Bw Edgar I Manasseh kwa uongozi wake wenye maono wakati wa kipindi chake cha miaka mitatu. Tuendelee kushirikiana ili tuweze kutimiza ndoto za hazina ya NSSF ya kuwa hazina yenye ubora wa kimataifa



JANE S MWANGI (MRS)  
MWENYEKITI.



## REPORT OF THE TRUSTEES

The Trustees are happy to submit their report together with the outdated financial statements for the year ended 30th June, 2007 which show the state of the Fund's affairs.

### 1. PRINCIPAL ACTIVITY

National Social Security Fund is a provident fund organization established under an Act of Parliament Cap 258. Its principal activity is the provision of basic social security to its members.

### 2. FUND RESULTS

The Fund results are set out on Pages 27 and 28 of the Annual Report.

### 3. INTEREST TO MEMBERS

Board of Trustees recommends to the Minister for Labour and Human Resource Development to approve the crediting of members accounts with interest at the rate of 2.5% for the year ended June 30, 2007 in accordance with the NSSF Act.

### 4. RESERVES

The Fund financial statements reflect a net reserve of Kshs.16,728,843,000 during the year under review

### 5. TRUSTEES

The Trustees who served during the year under consideration were:-

NAME	DESIGNATION
Jane S. Mwangi (Replaced Edgar I. Manasseh)	Chairperson
Rachel K. Lumbasyo	Managing Trustee
Mark K. Bor (Replaced Amb. Nancy Kirui)	Permanent Secretary, Ministry of Labour and Human Resource Development (Member)
Joseph Kinyua	Permanent Secretary, Ministry of Finance (Member)
Karanja Kabage (Replaced Aram Mbui)	Chairman, Federation of Kenya Employers (Member)
Jackline Mugo (Replaced Gershon Konditi)	Executive Director, Federation of Kenya Employers (Member)
Francis Atwoli	Secretary General, Central Organization of Trade Union (Member)
Cornelius O. Nyang'un	Deputy Secretary General, Central Organization of Trade Union (Member)
Jumaa Makopa	Private Sector representative (Member)
Said J. Chitembwe	Corporation Secretary

### 6. BANKERS

Kenya Commercial Bank Ltd.  
National Bank of Kenya Ltd.

### 7. AUDITORS

The financial statements were audited by Controller and Auditor General in accordance with Public Audit Act, 2003.

BY ORDER OF THE BOARD  
SECRETARY



## RIPOTI YA WADHAMINI

Wadhamini wana furaha kuu kuwasilisha ripoti yao pamoja na taarifa ya utekelezaji wa kifedha ya mwaka ulio malizika tarehe 30 Juni 2007.

### 1. SHUGHULI MUHIMU

Hazina ya malipo ya uzeeni ya NSSF ilianzishwa chini ya kifungu cha sheria za bunge ( Cap 258) Jukumu kuu la NSSF ni kutoa huduma ya ulinzi wa maisha ya uzeeni kwa wanachama wake.

### 2. MATOKEO YA HAZINA.

Taarifa ya kila mwaka ya utekelezaji wa kifedha wa hazina ya malipo ya uzeeni ya NSSF imechapishwa katika ukurasa wa 27 na 28

### 3. RIBA KWA WANACHAMA.

Halmashauri ya wadhamini wa hazina ya NSSF imewasilisha pendekezo kwa Waziri wa wafanyikazi ya kupitisha malipo ya riba kwa wanachama kwa kiwango cha asili mia 2.5% katika mwaka ulio malizika tarehe 30 Juni 2007 kuambatana na sheria za NSSF.

### 4. HIFADHI

Taarifa ya utekelezaji wa kifedha inaonyesha kuwa katika mwaka tunaoukagua hazina ya malipo ya uzeeni ya NSSF ina hifadhi ya jumla ya shilingi 16,728,843,000.

### 5. WADHAMINI.

Wadhamini walio hudumu katika mwaka tunaoukagua walikuwa:-

JINA	MAMLAKA
Jane.S.Mwangi	Mwenyekiti
R.K.Lumbasyo	Mdhamini msimamizi
Mark .K.Bor	Katibu mkuu,wizara ya wafanyikazi
Joseph Kinyua	Katibu mkuu,Wizara ya fedha(Mwanachama)
Karanja Kabage	Mwenyekiti, Shirikisho la waajiri nchini.
Jacqueline Mugo	Mkurugenzi mkuu. Shirikisho la waajiri nchini ( Mwana chama)
Francis Atwoli	Katibu mkuu.Muungano wa vyama vya wafanyikazi ( Mwana chama)
Cornelius O.Nyang'un	Naibu wa katibu mkuu .Muungano wa vyama vya wafanyikazi. ( Mwana chama)
Jumaa Makopa	Mwakilishi wa sekta ya kibinafsi ( Mwana chama)
Said .J . Chitembwe	Katibu wa shirika .

Mabadiliko yafuatayo yalifanyika katika kipindi cha mwaka tunaouzungumzia.



-Bw Edgar I Manasseh alistaafu kama mwenye kiti wa Halmashauri hapo tarehe 6 Mechi ,2007 na mahali pake kuchukuliwa na Jane S Mwangi.

-Balozi Nancy Kirui alihamishwa kutoka Wizara ya Wafanyikazi na mahali pake kuchukuliwa na Bw Mark Bor katibu mkuu mpya wa Wizara ya Wafanyikazi ambaye aliteuliwa kama mdhamini ya sababu ya wadhifa wake .

-Bw Aram Mbui alistaafu wadhifa wake wa mwenyekiti wa Shirikisho la waajiri nchini, na mahali pake kuchuliwa na Bw Karanja Kabage hapo tarehe 5 Julai,2006 ambaye alichaguliwa kama mdhamini kwa sababu ya wadhifa wake.

-Bw Gershon Konditi alistaafu kama mkurugenzi mkuu Shirikisho la waajiri nchini hapo tarehe 5 Julai 2006 na mahali pake kuchukuliwa na Jacqueline Mugo ambaye alichaguliwa kama mdhamini kwa sababu ya wadhifa wake.

-Bw Juma Makopa alijiunga na halmashauri ya wadhamini hapo tarehe 6 Mechi 2007 kama mwakilishi wa sekta ya kibinafsi ili kuchukua nafasi ya Jane S Mwangi ambaye alipandishwa cheo na kuteuliwa kama mwenyekiti wa halmashauri ya wadhamini.

## **6. BENKI**

Kenya Commercial Bank Ltd  
National Bank of Kenya Ltd.

## **7. WAKAGUZI WA HESABU.**

Taarifa ya hesabu ilikaguliwa na mkaguzi mkuu kuambatana na kifungu cha sheria ya ukaguzi wa hesabu ya umma,2003

Kwa amri ya halmashauri  
Katibu

Tarehe 28 Januari 2008.



## CORPORATE GOVERNANCE STATEMENT

National Social Security Fund (NSSF) is committed to the standards of corporate governance as set from time to time by the State Corporation Act. The Board of Trustees is responsible for the long-term strategic management of the Fund whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics.

### THE BOARD OF TRUSTEES

The Board is made of nine Trustees appointed as follows:

- (a) A Chairman appointed by the Minister from amongst the Trustees appointed under sub-paragraph (iii), (iv) or (v) of paragraph 1 (d) of First Schedule of NSSF Act, Cap 258.
- (b) The Permanent Secretary to Treasury
- (c) The Permanent Secretary in the Ministry of Labour
- (d) Five other Trustees are appointed by the Minister, of whom:
  - (i) Two are appointed to represent employers in Kenya,
  - (ii) Two are appointed to represent employees in Kenya,
  - (iii) One is appointed by virtue of his knowledge and experience in matters relating to banking and investments, or,  
By virtue of his knowledge and experience relating to pension funds or insurance, or,  
By virtue of his knowledge and experience relating to accounting and auditing, law, corporate or business management.
- (e) The Managing Trustee, who is also the Chief Executive Officer (CEO) of NSSF.

The Trustees are provided with appropriate and timely information so that they can maintain full and effective control over the strategic, financial, operational and compliance issues.

The day-to-day running of the business of the Fund is delegated to the CEO but the Board is responsible for establishing and maintaining the Fund's systems of internal controls so that sound investment of members' contributions and stakeholders' values are realized. The Board also makes recommendations to the stakeholders on Board succession planning.

### BOARD MEETINGS

The full Board of Trustees' meetings are held at least quarterly or as need arises for the implementation of the Fund's planned strategy and review in conjunction with its performance on return on investments portfolio, specific review on members' contributions, operational issues and future planning. At the end of each financial year, the Board reviews itself, Board committees, Senior Management and CEO against targets agreed to at the beginning of the year.

The Board held six (6) meetings during the year under review.





## BOARD COMMITTEES

The Board has created the following principal committees which meet regularly under well defined and materially delegated terms of reference set by the Board:-

### (a) *Audit Committee*

The Audit and Compliance Committee meets quarterly, or as required, in accordance with regulatory requirements. The Committee comprises the Managing Trustee and at least a member of the tripartite body who is independent of the day-to-day management of the Fund's operations, as expressed in the regulatory requirements.

The Committee deals with all matters relating to the financial statements and internal control systems of the Fund, including dealing with auditors as prescribed under the Public Audit Act, 2003.

The Committee held two (2) meetings during the year under review.

### (b) *Human Resource and Information Technology Committee*

This Committee meets quarterly to review human resource policies and the information technology needs of the Fund for efficient service delivery with a view to making suitable recommendations to the Board.

The Committee met twice (2) during the year under review.

### (c) *Finance, Investments and Tender Oversight Committee*

The Committee meets monthly to review the financial issues and fund investments, subject to the provisions of the Retirement Benefit Act, with a view to making suitable recommendations to the Board.

The Committee met four (4) times during the year under review.

### (d) *Legal Committee*

The Committee meets quarterly to review legal issues affecting the administration of the Fund.

The Committee met two (2) times during the year under review.

### (e) *Staff Retirement Benefits Committee*

The membership of the committee includes four Board members and two members of staff each representing Management and Unionisable employees, respectively. The Committee deals with all matters relating to staff pension.

The Committee met four (4) times during the year under review.

## BOARD PERFORMANCE

Board of Trustees performed well in the year under consideration.

This view was taken from the report on performance evaluation of public agencies by the Office of the President. The Fund was rated good in the financial category.



## **CORPORATE SOCIAL RESPONSIBILITY**

The Board values corporate social responsibility. This is in line with Fund's commitment to the principle of responsible corporate citizenship. In this regard, the Fund conducts community support activities every year. Some of these activities involve donations towards the needy and charitable cause of all kinds. During the year under consideration the Fund participated in supporting three children's homes in form of donations, namely Bread of Children – Kenya (situated in Kangemi slums), Cana Family Life (situated in Mukuru Kwa Njenya) and New Life Home Trust. The Fund also participated in Mater Heart Run as well as Freedom from Hunger Walk.

## **COMMUNICATION WITH STAKEHOLDERS**

The Fund is committed to ensuring that the stakeholders and members of the Fund are provided with full and timely information about its performance. This is usually done through Annual Reports and members statements. The Annual Financial Statements for the year under consideration were published in the Kenya Gazette and in both Daily Nation and the Standard newspapers. The Fund is in the process of calling the members for the Annual General Meeting.

The Fund is in compliance with its obligations under the NSSF Act, the Retirement Benefits Act and any other guidelines issued by the Government.

## **TRUSTEES' EMOLUMENTS**

The aggregate amount of emoluments paid to the Trustees for the services rendered during the year was Kshs.4,044,000.00

Neither at the end of the financial year, nor at any time during the year did there exist any arrangements to which the Fund was a party, under which the Trustees acquired benefits by any other means.



## TAARIFA YA USIMAMIZI WA HAZINA

Shirika la hazina ya malipo ya uzeeni, NSSF, hutoa taarifa ya usimamizi wa hazina kama inavyopendekezwa na kifungu cha sheria za usimamizi wa mashirika ya umma. Halmashauri ya wadhamini ina jukumu la usimamizi wa hazina na uwajibikaji kwa washika dau kuambatana na sheria na kanuni za usimamizi wa mashirika makubwa na biashara.

### BODI YA WADHAMINI

Bodi ya wadhamini inashirikisha wanachama tisa walioteuliwa kama ifuatavyo:-

- (a) Mwenyekiti ameteuliwa na waziri na ni mmoja wa wadhamini walioteuliwa chini ya kifungu (iii),(iv) au (v) kifungu cha kwanza 1 (d) Sehemu ya kwanza ya sheria za NSSF, kifungu nambari 258.
- (b) Katibu mkuu wa hazina
- (c) Katibu mkuu katika wizara ya Wafanyikazi
- (d) Wadhamini wengine tano huteuliwa na Waziri ,na:-
  - (i) Wawili huteuliwa kuwakilisha waajiri nchini Kenya.
  - (ii) Wawili huteuliwa kuwakilisha wafanyikazi nchini Kenya.
  - (iii) Mmoja huteuliwa kutokana na ufahamu na ujuzi wa masuala ya benki na uzalishaji rasimali au
  - (iv) Kutokana na ufahamu na ujuzi wa masuala ya ukaguzi wa hesabu za pesa, sheria au usimamizi wa biashara.
- (e) Mdamini mkurugenzi ambaye pia ni meneja mkurugenzi wa Hazina ya NSSF.

Wadhamini hawa hupewa maelezo na habari sahihi kuhusu hazina ya NSSF ili waweze kuendeleza usimamizi kwa njia laini inayozingatia sheria na maadili ya usimamizi wa mashirika . Wakati huo huo mkurugenzi mkuu amepewa jukumu la usimamizi wa shughuli za kila siku za shirika la hazina ya NSSF lakini halmashauri imepewa wajibu wa kusimamia utaratibu wa uwekaji na uzalishaji mali kwa kutumia michango ya wanachama na washika dau. Vile vile halmashauri ya usimamizi wa hazina hutoa mapendekezo kwa washika dau kuhusu watakapo chukua hatamu ya usimamizi baada ya halmashauri iliyoteuliwa kumaliza kipindi chake

### MIKUTANO YA HALMASHAURI.

Mikutano ya halmashauri ya wadhamini hukutaka kila baada ya miezi mitatu au kukiwa na jambo la dharura la kujadiliwa. Mbali na shughuli kuu halmashauri kukagua hali ya utendaji wa uwekaji na uzalishaji mali, michango ya wanachama, na mipango ya siku za usoni. Na baada ya kila mwaka wa matumizi ya fedha ,halmashauri ,kamati za halmashauri na wasimamizi wakuu hujitadhimini ili kukagua hali ya utendaji kazi wake na kutambua kama walitimiza malengo yaliyokusudiwa katika kipindi hicho.

Katika kipindi cha mwaka tunaokagua halmashauri iliandaa mikutano sita



## **KAMATI ZA HALMASHAURI**

Halmashauri imebuni kamati kuu ambazo zimepewa majukumu maalum na hukutana mara kwa mara. Kamati hizi ni pamoja na :-

### **(A) Kamati Ya Ukaguzi Wa Hesabu.**

Kamati ya ukaguzi wa hesabu hukutana kila baada ya miezi mitatu kuambatana na sheria za usimamizi. Kamati hii inashirikisha mdhamini mkurugenzi na mwanachama mmoja wa kamati inayosimamia shughuli za kila siku za hazina ya NSSF.

Kamati hii hushughulika na maswala yote yanayohusiana na taarifa za ukaguzi wa hesabu na majukumu ya kindani yanayohusu wakaguzi wa hesabu kuambatana na kifungu cha sheria cha ukaguzi wa hesabu kwa mashirika ya umma, 2003.

Katika kipindi cha mwaka tunaouzungumzia kamati hii iliandaa mikutano miwili.

### **(B) Kamati Ya Usimamizi Wa Wafanyikazi Na Teknolojia Ya Mawasiliano.**

Kamati hii hukutana mara kwa mara kukagua sera za usimamizi wa wafanyikazi na mahitaji ya teknolojia ya mawasiliano yatakawowezesha utoaji wa huduma bora. Kamati hii huwasilisha ripoti na mapendekezo yako kwa halmashauri.

Katika kipindi cha mwaka tunaouzungumzia kamati hii iliandaa mikutano miwili.

### **(C) Kamati Ya Usimamizi Wa Fedha, Raslimali Na Upeanaji Wa Kadarasi**

Kamati hii huandaa mikutano ya kila mwezi ili kukagua maswala ya kifedha na uwekaji na uzalishaji wa raslimali kuambatana na kifungu cha sheria cha faida ya Wastaafu, na hatimaye kutoa mapendekezo kwa halmashauri

Katika kipindi tunacho kizungumzia kamati hii iliandaa mikutano mara nne.

### **(D) Kamati Ya Sheria.**

Kamati hukutana kila baada ya miezi mitatu na kukagua maswala ya kisheria yanayo tokana na shughuli za usimamizi wa kila siku wa shirika la NSSF.

Katika kipindi tunacho kizungumzia kamati hii ilikutana mara nne.

### **(E) Kamati Ya Faida Kwa Wafanyikazi Wastaafu.**

Kamati hii inajumuisha wanachama wanne wa halmashauri na wafanyikazi wawili wa shirika la NSSF kila mmoja akiwakilisha wakuu wa usimamizi na wa pili akiwakilisha wafanyikazi walioajiriwa na NSSF. Kamati hii hushughulikia maswala ya malipo ya uzeeni ya wafanyikazi wastaafu wa NSSF.

Katika kipindi tunacho kizungumzia kamati hii iliandaa mikutano mara nne.



## HALMASHAURI YA UTENDAJI KAZI.

Halmashauri ya wadhamini ilitenda kazi vyema katika mwaka tunaouzungumzia. Ripoti hii imenukuliwa kutoka kwa ripoti kuu ya ofisi ya Rais kuhusu utendaji wa mashirika ya umma. Shirika la hazina ya malipo la NSSF liliorodheshwa kama mojawapo wa mashirika yenye taarifa bora ya hesabu.

## JUKUMU KWA JAMII

Halmashauri inaunga mkono kwa hali na mali utaratibu wa jukumu kwa jamii. Hii ni kutokana na hazina ya NSSF kutilia uzito swala la jukumu kwa jamii. Kutokana na sababu hii kila mwaka NSSF huwaleta pamoja wafanyikazi wake kupitia shughuli mbali mbali zenye lengo la kukusanya pesa za kuwasaidia wasiojiweza katika jamii. Katika mwaka tunaouzungumzia NSSF ilitoa michango ya kifedha kusaidia watoto yatima walio katika nyumba ya watoto ya Bread of children-Kenya( katika vitongoji duni vya Kangemi) Cana Family Life( katika vitongoji duni vya Mukuru Kwa Njenga) na New Life Home Trust.

Pia NSSF ili shiriki katika matembezi ya Mater Heart Run na Freedom From Hunger Walk.

## MAWASILIANO NA WASHIKA DAU.

NSSF imejitolea kuhakikisha kwamba washika dau na wanachama wa wote wanapata habari sahihi kuhusu utendaji wa NSSF. Ili kutimiza jukumu hili kila mwaka NSSF huchapisha ripoti ya matumizi ya fedha. Ripoti ya matumizi ya fedha ya mwaka tunaouzungumzia ilichapishwa katika jarida la Kenya Gazette na katika gazeti la Daily Nation na Standard. Wakati huo huo NSSF inajiandaa kutayarisha mkutano mkuu wa mwaka.

## MARUPU RUPU YA WADHAMINI

Katika kipindi cha mwaka tunaoukagua, wadhamini wa hazina ya NSSF walilipwa marupu rupu ya jumla ya shilingi 4,044,000.0. Hakuna malipo mengine yeyote, kwa njia yeyote yaliyopitishwa na NSSF kwa wadhamini katika mwisho wa mwaka wa matumizi ya fedha katika kipindi cha mwaka tunaouzungumzia



## STATEMENT OF TRUSTEES RESPONSIBILITY

### 1.0 STATEMENT OF TRUSTEES' RESPONSIBILITIES

The National Social Security Fund Act requires the Trustees to prepare financial statements for each financial year which include a balance sheet (statement of assets) showing in detail the assets and liabilities of the Fund, a statement of income and expenditure (statement of changes in net assets) and such other statements that the Trustees may deem necessary. It also requires the Trustees to ensure the Fund keeps proper books of account and other books and records in relation to the Fund and to all the undertaking, funds, investments, activities and property of the Fund. They are also responsible for safeguarding the assets of the Fund.

The Trustees accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the National Social Security Fund Act. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Trustees certify that to the best of their knowledge and belief the information furnished to the Auditors for the purpose of the audit was correct and complete in every respect.

Chairman .....

Jane S. Mwangi (Mrs.)

Managing Trustee .....

Rachel K. Lumbasyo (Mrs.)

Date 28.1.2008 .....



## TAARIFA YA JUKUMU LA WADHAMINI.

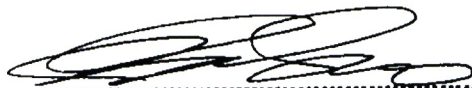
### 1.0 TAARIFA YA JUKUMU LA WADHAMINI.

Sheria za shirika la malipo ya uzeeni zinawahitaji wadhamini kutayarisha ripoti ya matumizi ya fedha inayoonyesha raslimali zote za NSSF, taarifa ya mapato na matumizi na taarifa yeyote nyingine ambayo wadhamini wanaweza kupendekeza. Sheria hizi pia zinawataka wadhamini kuhakikisha vitabu vya hesabu na ripoti zote zinazohusu NSSF zinaonyesha bayana shughuli za kifedha. Pia wana jukumu la kulinda raslimali za NSSF.

Wadhamini wanakubali jukumu la utayarishi wa ripoti ya matumizi ya fedha kwa kutumia sera za kitaalam za ukaguzi wa hesabu za kiwango cha kimataifa cha International Financial Reporting Standards na kwa kuzingatia sheria za NSSF. Wadhamini wameridhika kuwa ripoti hii ya matumizi ya fedha inaonyesha hali halisi ya matumizi ya kifedha katika NSSF. Wadhamini pia wamekubali jukumu la kudumisha taarifa na stakabadhi ambazo zinaweza kutegemewa katika utayarishi wa ripoti ya matumizi ya fedha.


Wadhamini wamedhibitisha kuwa maelezo yote na taarifa zilizo wasilishwa kwa wakaguzi wa hesabu kwa minajili ya ukaguzi yalikuwa sahihi na kamili kwa kila njia.

Mwenyekiti.



.....  
Jane S. Mwangi (Mrs.)

Mdhamini Mkurugenzi



.....  
Rachel K. Lumbasyo (Mrs.)

Tarehe

28/1/2008.....



# KENYA NATIONAL AUDIT REPORT



## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of National Social Security Fund for the year ended 30 June 2007 set out on pages 2 to 29 which comprise the statement of net assets as at 30 June 2007, the statement of changes in net assets, and the cash flow statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of section 14 of the Public Audit Act, 2003. 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.

### Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of financial statements which give a true and fair view of the Funds state of affairs and its operating results in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Funds internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

### 1. Properties in Gazetted areas

As pointed out in previous years' reports, the Fund acquired properties in gazetted areas in New Muthaiga L.R No. 209/12274 measuring 18.41 ha (located within Sigiria Block which is part of the Karura Forest Reserve) and two Ngong Road properties, LR Nos. 20840 and 20841, next to Lenana School (part of Ngong forest). The properties being in gazetted areas cannot be owned, possessed, utilized or accessed, and any development on such land would be illegal. The carrying values of these investment properties in New Muthaiga and Ngong Road as at 30







June 2007 were Kshs. 296,550,000 and Kshs. 40,566,000 respectively, for which no provision for impairment loss has been made in the financial statements. The carrying value of these properties as stated in the financial statements does not therefore reflect the fair value of the Fund's investments in land and buildings as at the balance sheet date.

## 2. Procurement of goods and services

During the year under review the Fund procured various capital items worth Kshs. 254,882,000 without budgetary approval by the parent Ministry and Treasury contrary to sections 11 and 12 of the state corporations act cap 446 which require the fund to seek such approval. The fund was, therefore, in breach of law.

## 3. Accumulated members funds

As pointed out in the previous years' report, the Fund's total funds employed of Kshs 81,310,970,000 includes contributions from members being held in suspense account as they had not been allocated to members accounts. Such contributions totaled Kshs 6, 785,756.00 as at 30 June 2007. The Fund continued to hold these contributions in a suspense account without showing how the affected members will benefit from these contributions.

## 4. Tax Receivable

As pointed out in the previous years' reports, the statement of net assets reflects taxation balance of Kshs. 299,548,000 recoverable from Kenya Revenue Authority (KRA). The taxation relates mainly to tax overpaid prior to 1 January 1997 before the fund was exempted from taxation and withholding tax. Although the Fund insists that the matter is being pursued by the consultants, KRA has indicated in a letter that any overpayment by the Fund had been utilized against unpaid penalties and interest and hence no amounts are refundable. In the circumstances, it was not possible to confirm that taxation balance of Kshs. 299,548,000 as at 30 June 2007 represents realizable fund asset.

## 5. Advances to Mugoya Construction

The Fund had advanced a total of Kshs 324,353,699 to Mugoya Construction and Engineering Limited, the Nyayo Estate, Embakasi Contractor to facilitate completion of phase 2 sub sectors 2.1, 2.2, 2.3 and 2.5 of the project. The Fund had not obtained collateral from the contractor as security for the advances given. The contract was terminated on 19th November 2004 due to non performance and the contractor has since been placed under receivership. As pointed out in the previous year's report, this matter is still under arbitration. It was not possible to confirm whether and if so, when the Fund will be able to recover the amounts advanced to the contractor. Any provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.

## Opinion

Except for any adjustments that might be necessary arising from foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial status of the Fund as at 30 June 2007 and of its surplus funds and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the National Social Security Fund Act, (cap 258).

P. N. KOMORA, C.B.S  
CONTROLLER AND AUDITOR GENERAL  
Nairobi  
12 March, 2008



## KENYA NATIONAL AUDIT REPORT



### **RIPOTI YA MKAGUZI MKUU KUHUSIANA NA TAARIFA YA MATUMIZI YA FEDHA YA HAZINA YA NSSF YA MWAKA ULIOMALIZIKA TAREHE 30 JUNI 2007.**

Nimekagua ripoti ya matumizi ya fedha ya shirika la hazina ya malipo ya uzeeni la NSSF ya mwaka ulio malizika tarehe 30 Juni 2007 kama ilivyo chapishwa katika ukurasa wa 2 hadi 29. Taarifa hii inajumuisha ripoti ya raslimali zote za NSSF kufikia tarehe 30 Juni 2007, pia ripoti ya ubadilishaji wa raslimali na mapato ya pesa katika mwaka ulio malizika pamoja na maelezo ya ukaguzi wa fedha kuambatana na kifungu cha sheria cha 14 cha sheria za ukaguzi wa fedha wa mashirika ya umma, 2003. Nimepata stakabadhi na maelezo yote muhimu ambayo yanahitajika katika shughuli hii muhimu ya ukaguzi wa matumizi ya fedha.

### **JUKUMU LA WADHAMINI KATIKA RIPOTI ZA MATUMIZI YA FEDHA.**

Wadhamini wana jukumu muhimu katika utayarishaji wa ripoti za matumizi ya fedha, ripoti ambayo huonyesha hali halisi ya shughuli za NSSF na utendaji wake kuambatana na kiwango cha kimataifa cha utoaji ripoti za matumizi ya fedha, ( International Financial Reporting Standards). Majukumu haya ni pamoja na uundaji wa mfumo na utekelezaji wa utaratibu wa kutayarisha ripoti ya matumizi ya fedha kwa kuzingatia kanuni za kitaalam ili kupata ripoti sahihi na iwapo kuna makosa utumizi mbaya wa fedha hizi, kudhibitisha sera bora za ukaguzi wa fedha zitakazo faa katika hali kama hiyo.

### **JUKUMU LA MKAGUZI MKUU WA FEDHA.**

Jukumu langu kuu ni kutoa maoni huru ya kitaalam kuhusiana na taarifa ya ripoti ya ukaguzi wa fedha. Ukaguzi huu ulitekelezwa kwa kuzingatia mbinu za hali ya juu za kiwango cha kimataifa. Mbinu hizi husisitiza kuwa lazima ukaguzi wa fedha utilie maanani kuwa ripoti ya mwisho ya ukaguzi wa hesabu imetayarishwa vyema na wala haina maelezo yasio sahihi.

Shughuli ya ukaguzi wa hesabu hudhibitisha kuwa kuna ushahidi wa kila nakala ya hesabu ya fedha inayowasilishwa wakati wa kutayarisha ripoti ya kila mwaka. Utaratibu wa uwasilishaji wa nakala hizi husimamiwa na mkaguzi mkuu na pia utadhimini wa ikiwa kuna makosa ya hesabu ya pesa au matumizi mabaya ya pesa. Katika utadhimini wa hali hizi mkaguzi mkuu hutilia maanani utaratibu uliofuatwa wakati wa kutayarisha ripoti ya matumizi ya fedha na kuhakikisha kuwa shughuli hiyo ilifanyika kuambatana na maadili ya taaluma ya ukaguzi wa fedha. Pia ni jukumu la mkaguzi mkuu kuhakikisha kuwa ripoti ya hesabu iliyowasilishwa na wadhamini imefanywa kwa njia ya kitaalam. Baada ya kuchunguza hayo yote nimeridhika na ripoti hii ya ukaguzi wa fedha ya mwaka huu.

### **1. MALI ZILIZOKO KATIKA SEHEMU ZILIZORATIBISWA RASMI.**

Kama ilivyo ripotiwa katika ripoti ya mwaka jana NSSF ilinunua mali katika eneo la New Muthaiga L.R No 209/12274 kiasi cha 18.41 ha (katika eneo la Sirigia Block sehemu ya Karura Forest Reserve.) na pia ploti mbili zilizo nunuliwa kutoka Ngong Properties, LR Nos 20840 na 20841 karibu na shule ya Lenana (sehemu ya msitu wa Ngong). Kwa sababu mali hii iko kwenye sehemu zilizoratibiswa rasmi ardhi hii haiwezi kumilikiwa, au kutumiwa kwa ujenzi kwa sababu hairuhusiwi kisheria. Kufikia tarehe 30 Juni 2007 raslimali ya New Muthaiga



ilikuwa na thamani ya shilingi 296,550,000 na ile ya Ngong road ilikuwa na thamani ya shilingi 40,566,000. hivyo hakuna hasara yeyote iliyoonekana ya kutokana na ununuzi hii katika ripoti ya ukaguzi wa fedha .

## 2. UNUNUZI WA BIDHAA

Katika mwaka tunaoukagua shirika la hazina ya malipo ya uzeeni la NSSF lilinunua bidhaa za kiasi cha shilingi Ksh 254,882,000. bila fedha hii kupitiswa na wizara fedha kinyume sehemu ya 11 na 12 ya na kifungu cha sheria za usimamizi wa mashirika ya serikali Cap 446 inayo hitaji mashirika kupata hitimisho na idhini ya matumizi ya fedha za umma. Kwa hivyo NSSF ilivunja sheria hii.

## 3. ONGEZECO YA MALIPO YA WANACHAMA.

Kama ilivyo ripotiwa katika ripoti ya mwaka jana, jumla ya shilingi Ksh 81,310,870,000, ikiwa ni mchango wa wanachama bado hazija tumwa kwenye akaunti zao na kufikia tarehe 30, Juni 2007 pesa hizi zilikuwa zimeongezeka na kufikia shilingi Ksh 6,785,865,756.00. Pesa hizi bado zimo kwenye akaunti ya NSSF ya pesa zisizo tumika na mpaka sasa haijaonyeshwa jinsi wanachama watafaidika na pesa hizi.

## 4. USHURU UNAPOKEWA

Kama ilivyo ripotiwa katika ripoti ya mwaka jana taarifa ya rasimali kwa jumla inaonyesha kuwa kuna salio la shilingi Ksh 299,548,000 ambazo halmashauri ya ushuru nchini (KRA) inapaswa kuirudishia NSSF. Salio hili linatokana na ulipaji wa ushuru kupitia kiasi kabla ya tarehe 1 Januari 1997 wakati NSSF iliondolewa ushuru ( withholding tax ). Hata ingawa NSSF inasisitiza kuwa suala hili linafuatiliwa na wataalam wa mambo ya ushuru KRA kupitia kwa barua imedhibitisha kuwa salio la ushuru uliolipwa kupita kiasi lilitumika kwa kulipa faini kadhaa za ushuru ambao NSSF haikuwa imelipa, hivyo haingewezekana kudhibitisha kuwa salio la Ksh 299,548,000 lilikuwa halali kufikia tarehe 30, Juni 2007.

## 5. MALIPO KWA KAMPUNI YA WAHADISI YA MUGOYA CONSTRUCTION AND ENGINEERING LIMITED.

NSSF ililipa malipo ya chini ya jumla ya shilingi Ksh 324,353,699 kwa makampuni ya Mugoya Construction and Engineering Limited, Nyayo Estate na Embakasi Contractor ili kuendeleza ujenzi wa awamu ya pili wa sekta ya 2.1, 2.2, 2.3, na 2.5 ya mradi huu. Malipo haya yalifanyika bila thamana yeyote. Hatimaye kadarasi hizi zilitamatishwa tarehe 19 Novemba 2004 kwa sababu ya wanakadarasi hawa kushindwa kumaliza kazi. Wanakadarasi wako chini ya urasibu. Kama ilivyo ripotiwa katika ripoti ya mwaka jana suala hili bado linajaribu kusuluhiswa ili kufikia uamuzi wa haki. Kwa sasa ni vigumu kubainisha ikiwa NSSF itarudishiwa pesa hizi zilizolipwa kwa wanakadarasi. Suala hili halikuangaziwa kwenye ripoti ya matumizi ya fedha.

## MAONI

Mbali na marekebisho yanayohitaji kuangaziwa, kwa maoni yangu, vitabu vya uhasibu na ripoti ya matumizi ya fedha inaonyesha picha halisi ya ukweli ya matumizi ya fedha katika mwaka ulio malizika tarehe 30 Juni 2007 na hazina ya ziada na upokeaji na ulipaji wa pesa kuambatana na kiwango cha kimataifa cha utayarishi wa ripoti ya matumizi ya fedha (International Financial Reporting Standards) na pia kuambatana na sheria za hazina ya National Social Security Act Fund (Cap 258)



P.N. KOMORA C.B.S  
MKAGUZI MKUU WA HESABU  
Nairobi  
Tarehe 12 Mechi 2008.



## STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30TH JUNE 2007

DESCRIPTION	NOTES	JUNE 2007 KSHS.'000	JUNE 2006 KSHS.'000
<b>CONTRIBUTIONS RECEIVABLE</b>			
Contributions Receivable	1	5,445,691	4,552,895
Benefits Payable	2	2,420,165	2,326,064
Net additions from dealings with members		3,025,526	2,226,831
<b>RETURN ON INVESTMENTS</b>			
Investments Income	3	3,980,015	4,333,393
Change in market value of investments	4	5,263,439	3,739,707
Total Return on Investments		9,243,454	8,073,100
<b>TOTAL REVENUE</b>		<b>12,268,980</b>	<b>10,299,931</b>
Administration Costs	5	2,705,778	1,924,882
<b>TOTAL EXPENSES</b>		<b>2,705,778</b>	<b>1,924,882</b>
<b>Net increase in scheme funds during the period</b>		<b>9,563,202</b>	<b>8,375,049</b>



## STATEMENT OF NET ASSET AS AT 30TH JUNE 2007

NON-CURRENT ASSETS	NOTE	2007 KSHS.'000	2006 KSHS.'000
Property, Plant and Equipment	6	394,861	378,088
<b>INVESTMENTS</b>			
Undeveloped Land	7	5,413,698	5,830,873
Land and Buildings	8	22,856,104	21,848,314
Tenant Purchase Scheme	9	2,672,573	2,978,237
Quoted Equities	10	38,811,620	32,108,964
Government of Kenya Stocks	11	408,800	408,800
Unquoted Stocks and Equity	12	1,380,500	1,380,500
Treasury Bills	13	155,987	592,326
Treasury Bonds	14	6,919,637	4,998,261
Deposits with Financial Institutions	15	426,750	398,001
<b>Net Investments</b>		<b>79,045,669</b>	<b>70,544,276</b>
<b>CURRENT ASSETS</b>			
Debtors and Prepayments	16	1,240,271	994,534
Taxation	17	299,548	299,548
Accrued Income	18	833,138	894,300
Cash & Bank Balances		852,611	368,478
<b>Total Current Assets</b>		<b>3,225,568</b>	<b>2,556,860</b>
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	19	1,355,228	1,636,556
Total Current Liabilities		1,355,228	1,636,556
<b>NET CURRENT ASSETS</b>		<b>1,870,340</b>	<b>920,304</b>
<b>NET ASSETS</b>		<b>81,310,870</b>	<b>71,842,668</b>
<b>TOTAL FUNDS EMPLOYED</b>	<b>20</b>	<b>81,310,870</b>	<b>71,842,668</b>

Signed on behalf of the Board of Trustees - National Social Security Fund

Chairman .....

Jane S. Mwangi (Mrs.)

Managing Trustee .....

Rachel K. Lumbasyo (Mrs.)

Date 28.1.2008 .....



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007

<b>Reconciliation of net increase in assets to Cash Flows from Operating Activities</b>	<b>2007 Kshs.'000</b>	<b>2006 Kshs.'000</b>
Net increase in assets	9,563,202	8,375,049
Adjustments to Property plant & Equipment	52,913	-
Depreciation	185,196	141,570
Profit on sale of property, plant and equipment	(5,752)	-
Market Gain in Securities	(5,263,439)	(3,739,707)
<b>Operating Surplus (deficit) before working capital changes</b>	<b>4,532,120</b>	<b>4,776,912</b>
Increase in Debtors & Prepayments	(340,737)	(332,793)
Increase in Accrued Income	61,162	(705,449)
Decrease in Creditors & Accruals	(281,328)	61,543
	<b>(560,903)</b>	<b>(976,699)</b>
<b>Cash flows from operating activities</b>	<b>3,971,217</b>	<b>3,800,213</b>
<b>Investing activities</b>		
(Acquisition) /Redemption of Stocks	(2,128,366)	(1,901,260)
Acquisition of Treasury Bonds	(1,921,376)	(1,938,229)
Placement of Deposits with Financial Institutions	(28,749)	191,446
Development of Land & Buildings	(379,697)	(136,644)
Proceeds from sale of Land & Buildings	306,493	676,473
Receipts from Tenant Purchase Scheme	380,150	430,632
Purchase of Property, Plant and Equipment	(254,882)	(164,389)
Proceeds from sale of Property, Plant and Equipment	5,752	-
<b>Cash flow from Investing activities</b>	<b>(4,020,675)</b>	<b>(2,841,971)</b>
Net Increase in Cash and Cash Equivalents	(49,458)	958,242
Cash and Cash Equivalent as at 1st July,	960,804	2,562
	<b>911,346</b>	<b>960,804</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2007

The principle 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) under the historical cost convention as modified by the revaluation of certain assets. For the first time provisions of IFRS' International Accounting Standard (IAS) No. 26 – Accounting & Reporting by Retirement Benefit Plans have been included in the preparation of the Financial Statements. It is hoped these will fairly present the operations and results of the Fund. Further the Financial Statements comply with the Retirement Benefits Authority Act 1997 and the Retirement Benefits Authority regulations 2000, both as amended and Income Tax (NSSF exemption) Rules 2002. The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's Accounting Policies.

### b) **Comparatives**

Comparative figures have been adjusted to conform with the changes in disclosure and presentation in the current year.

### c) **Accounting for contributions**

Contributions from employers/employees are accounted for on an accrual basis in the year due. Benefits to members are accounted for on a payment basis. Benefit payment cheques going stale before they are presented to the bank are written back in the cash book and a liability thereof recognized in the financial statements.

Interest payable on members accumulated contributions (standard contributions plus interest) is accrued annually at the agreed rate in accordance with section 19(2) and (3) of the National Social Security Fund Act (2006 and 2007 – 2.5%).

Subsequent to the fiscal year ended 30th June, 2007, the Board of Trustees approved and recommended to the Minister for Labour and Human Resource Development for gazettelement an interest of 5% on Members' funds effective from 1st July, 2007.

### d) **Income Recognition**

#### i) **Dividends**

Dividend income from investments is recognized when the Fund's rights to receive payment as a shareholder have been established.

#### ii) **Interest on deposits with financial institutions**

Interest on deposits with financial institutions is accounted for on accrual basis.

#### iii) **Interest/discounts on Treasury Bills and Treasury Bonds**

Interest on Treasury bills and bonds is credited to income on a straight-line basis over the maturity period of the investments.



**iv** *Coupon interest on Government securities*

Coupon interest on Government securities is accounted for on accrual basis.

**e) Tenant Purchase Scheme**

Interest income on Tenant Purchase Scheme loans is calculated on the balance outstanding at the end of each month at the rate prevailing. The rate, currently at 15%, is variable at the discretion of NSSF's Board of Trustees.

**f) Depreciation**

Depreciation is calculated on a straight-line basis, at annual rates estimated to write off the carrying values for property, plant and equipment over their expected useful lives as follows:

<b>PARTICULARS</b>	<b>%</b>
Freehold and Long Term Leasehold Land	Nil
Motor Vehicles	20
Computer and Microfilming Equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20

**g) Investments**

*Quoted Equities*

Equities are stated at market value. Differences between cost and market value are debited/(credited) to an unrealized revaluation reserve. Upon sale of the investment the surplus/ (deficit) relating to the transaction will be transferred to the Revenue Statements.

*Unquoted Equities*

Unquoted equities are stated at cost less provision for any permanent diminution in value.

*Treasury bills and bonds and Government bearer bonds*

Treasury bills and bonds Government bearer bonds which are held to maturity are stated at amortized cost.

**h) Investments in Land and Buildings**

Undeveloped land and partly developed land and buildings are stated at cost.

Cost is defined as follows:

- Undeveloped land – Cost of the land plus incidental expenses.
- Partly developed land held for long-term investments – Cost of land as defined above plus construction work certified and paid.
- Undeveloped land and partly developed land which a decision to sell has been made – Cost as defined above, less any foreseen losses on immediate sale.







### i) Cash and Cash Equivalents

For the purposes of presentation in the cash flow statement, the cash and cash equivalents comprise of bank balances and treasury bills maturing within 3 months.

### j) Impairment

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such asset exists, the asset's recoverable amount is estimated and an impairment loss recognized whenever the carrying amount of an asset exceeds its recoverable amount.

### k) Valuation of Assets

During the year investments in land and buildings were valued by Gimco limited, a firm of registered valuers. On the assets valued a net surplus was realized of kshs.517.4 million.

### l) Employee Benefits

The majority for the Fund's employees are eligible for retirement benefits under a defined contribution plan.

Contributions to the defined contributions plan are charged to the income statements as they are incurred. Any difference between the charge to the income statement and the annual contributions paid is recorded in the balance sheet under other liabilities/assets.

### m) Actuarial Valuation

An actuarial valuation was carried out as at 30th June, 2003 by Alexander Forbes Financial Services Ltd. The valuation was done on an attained Age method. The actuarial report indicates that the value of liabilities of the scheme was Kshs.53,675 million compared to the value of assets amounting to Kshs.49,716 million giving rise to a shortfall of Kshs.3,959 million. The next actuarial valuation is due in 2007/2008 financial year.

### n) Notional Rent

In the year under review notional rent for the space occupied by the Fund amounted to Kshs.99.1 Million; the amount has not changed for the past few years. Drastic reduction is expected to be realized in 2007/2008 year.

## 1. CONTRIBUTIONS RECEIVABLE

<b>PARTICULARS</b>	<b>2007 Kshs. '000</b>	<b>2006 Kshs. '000</b>
Contributions receivable -Employer	3,001,629	2,440,417
Contributions receivable -Employee	2,444,062	2,112,478
<b>Total</b>	<b>5,445,691</b>	<b>4,552,895</b>





## 2. BENEFITS PAYABLE

	2007 Kshs. '000	2006 Kshs. '000
Age	911,623	893,560
Survivors	287,941	312,953
Invalidity	38,710	50,582
Withdrawal	1,161,734	1,049,233
Emigration	14,302	13,659
Refund	5,378	4,871
Fuenral Grant	477	1,206
<b>Total</b>	<b>2,420,165</b>	<b>2,326,064</b>

## 3. INVESTMENTS INCOME

DETAILS	2007 Kshs. '000	2006 Kshs. '000
Dividends	1,198,494	1,020,369
Gains on Stock Sales	982,877	1,865,383
Rental Income	676,598	507,518
Interest on Term Deposits and Treasury Bills/Bonds	732,641	476,015
Intrest on Tenant Purcahse Scheme	374,659	452,111
Gain on Sale of Assets	5,752	-
Other Income	8,994	11,997
<b>TOTAL</b>	<b>3,980,015</b>	<b>4,333,393</b>

## 4. CHANGE IN MARKET VALUE OF INVESTMENTS

Quoted Equities Revaluation of Surplus Analysis	2007 Kshs.'000	2006 Kshs.'000
Quoted Equities at Market Value	38,811,620	32,108,964
Quoted Equities at cost	(8,947,261)	(6,990,633)
Surplus at 30th June	29,864,359	25,118,331
Surplus at 30th June	(25,118,331)	(21,378,624)
Surplus Transferred to Statement of Changes in Net Assets	4,746,028	3,739,707
<b>Investments in Land &amp; Buildings</b>		
Land and Building	517,411	0
	<b>5,263,439</b>	<b>3,739,707</b>



**5. ADMINISTRATION COSTS**

<b>ADMINISTRATION COSTS</b>	<b>2007 Kshs. '000</b>	<b>2006 Kshs. '000</b>
Staff Expenses	1,930,416	1,815,075
Administrative Expenses	580,426	655,876
Board Expenses	7,852	8,086
Depreciation Charge	185,196	141,570
Increase/(Decrease) in Provisions	1,888	(695,725)
<b>TOTAL</b>	<b>2,705,778</b>	<b>1,924,882</b>

**6. PROPERTY AND EQUIPMENT**

	<b>LAND KSHS.'000</b>	<b>COMPUTER/ MICROFILM KSHS.'000</b>	<b>MOTOR VEHICLES KSHS.'000</b>	<b>OFFICE EQUIPMENT KSHS.'000</b>	<b>OFFICE FURNITURE KSHS.'000</b>	<b>FITTINGS &amp; FURNISHINGS KSHS.'000</b>	<b>TOTAL KSHS.'000</b>
Cost/Valuation at 1/7/2006	124,540	439,680	335,096	184,493	97,139	22,822	1,203,770
Additions		195,556	33,242	14,876	9,384	1,824	254,882
Adjustments		(216)	(18,771)	105	(6,383)	(19)	(25,284)
Disposals		-	(29,950)	-	-	-	(29,950)
<b>At 30/6/2007</b>	<b>124,540</b>	<b>635,020</b>	<b>319,617</b>	<b>199,474</b>	<b>100,140</b>	<b>24,627</b>	<b>1,403,418</b>
Depreciation at 1/7/2006	0	331,645	248,394	147,345	76,866	21,432	825,682
Charge for the year		136,929	36,467	8,261	2,994	545	185,196
Adjustment		14,350	11,103	1,233	148	795	27,629
Disposals		-	(29,950)	-	-	-	(29,950)
<b>At 30/6/2007</b>	<b>-</b>	<b>482,924</b>	<b>266,014</b>	<b>156,839</b>	<b>80,008</b>	<b>22,772</b>	<b>1,008,557</b>
Net Book Value							
<b>At 30/6/2007</b>	<b>124,540</b>	<b>152,096</b>	<b>53,603</b>	<b>42,635</b>	<b>20,132</b>	<b>1,855</b>	<b>394,861</b>
<b>At 30/6/2006</b>	<b>124,540</b>	<b>108,035</b>	<b>86,702</b>	<b>37,148</b>	<b>20,273</b>	<b>1,390</b>	<b>378,088</b>



**7 a) UNDEVELOPED LAND**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
Hospital Hill Project	35,000	28,972
Ngong Road Project	150,000	150,227
Elgon Road Project	50,000	50,743
Tassia Estate	1,340,592	1,340,592
Mombasa Town Project	98,322	123,322
Likoni Road - Nairobi	74,961	126,361
Loita Street Project	90,000	70,095
Kajiado Project	39,427	56,927
Mtwapa Project	316,000	466,050
Belle Vue Project	12,522	32,522
Nairobi South B	17,489	21,639
Eldoret Project	-	20,525
Athi River Project	595,446	595,446
Mavoko Projects	431,560	785,310
Outering Road Project	122,350	122,350
Upper Hill Project	40,000	42,385
Langata Project	400,000	383,778
Bamburi Project	195,300	188,373
Bishops Road Project	200,000	228,411
Muthaiga Project	450,000	296,550
Embakasi Housing Project	753,731	753,731
Forest Edge Langata	95,000	40,566
	<b>5,507,700</b>	<b>5,924,875</b>
Provision for Losses on Susp Projects	(94,002)	(94,002)
	<b>5,413,698</b>	<b>5,830,873</b>



### b) Movements In Undeveloped Land

	Ngong Road Kshs '000	Mwapa Plot Kshs '000	Mombasa Plot Kshs '000	Likoni Road Kshs '000	Kajiado Plot Kshs '000	Belle Vue Kshs '000	Nairobi South B Kshs '000	Eldoret Plot Kshs '000	Mavoko Plot Kshs '000	Others Kshs '000	Totals Kshs '000
Balance b/f	150,227	466,050	123,322	126,361	56,927	32,522	21,639	20,525	785,310	4,141,992	5,924,875
Additions	-	-	-	-	-	-	-	-	-	-	-
**Adjustments	18,773	(150,050)	-	-	-	-	-	-	(297,582)	225,427	(203,432)
Disposals	(19,000)	-	(25,000)	(51,400)	(17,500)	(20,000)	(4,150)	(20,525)	(56,168)	-	(213,743)
<b>Balance cf</b>	<b>150,000</b>	<b>316,000</b>	<b>98,322</b>	<b>74,961</b>	<b>39,427</b>	<b>12,522</b>	<b>17,489</b>	<b>-</b>	<b>431,560</b>	<b>4,367,419</b>	<b>5,507,700</b>

\*\* Adjustments were caused by valuations of properties



**8 a) LAND AND BUILDINGS**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
Social Security House - Nairobi	4,880,000	4,543,463
Social Security House -Mombasa	485,000	184,373
Bruce House - Nairobi	1,215,000	641,468
Hazian Trade Centre -Nairobi	2,150,000	3,207,916
Hazina Estate	1,106,070	1,106,070
Social Security House Annex - Nairobi	559,499	554,704
Hazina Towers	690,000	591,491
View park Towers	1,150,000	918,785
Hazina Plaza ,Mombasa	375,000	458,791
Hospital Road Development	150,000	132,174
Kenyatta Avenue Development	1,320,100	1,020,298
Nyayo Estate Embakasi	12,017,257	11,790,358
Machakos Development	61,600	83,574
Ojijo Road - Nairobi	335,000	181,165
Mountain View Development	487,698	487,698
Kileleshwa Development	42,346	50,596
Kitisuru Development	682,020	680,938
State House Road	415,000	441,876
Milimani Flats	150,000	103,562
Kapsoya Estate	6,185	6,185
Karen Development	307,971	392,471
	<b>28,585,746</b>	<b>27,577,956</b>
Provision for Foreseeable Losses	(5,070,339)	(5,070,339)
Provision for Losses on Suspended Projects	(659,303)	(659,303)
	(5,729,642)	(5,729,642)
	<b>22,856,104</b>	<b>21,848,314</b>



**b) Movements In Land and Buildings**

	SSH Nairobi KSHS '000	SSH Mombasa KSHS '000	Bruce House KSHS '000	Trade Centre KSHS '000	SSH Annex KSHS '000	Hazina Plaza KSHS '000	Embakasi Estate KSHS '000	Kileleshwa Project KSHS '000	Kitisuru Project KSHS '000	Karen Project KSHS '000	Other Plots KSHS '000	Total KSHS '000
Balance b/f	4,543,463	184,373	641,468	3,207,916	554,704	458,791	11,790,358	50,596	680,938	392,471	5,072,878	27,577,956
Additions	4,134	510	47,972	94,242	4,795	63	226,899	-	1,082	-	-	379,697
-**Adjustments	332,403	300,117	525,560	(1,152,158)	-	(83,854)	-	-	-	-	798,775	720,843
Disposals	-	-	-	-	-	-	-	8,250	-	84,500	-	92,750
Balance c/f	4,880,000	485,000	1,215,000	2,150,000	559,499	375,000	12,017,257	42,346	682,020	307,971	5,871,653	28,585,746

\*\*Adjustments were caused by valuations of properties



## 9 TENANT PURCHASE SCHEME

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
Embakasi Estate	991,518	1,149,372
Mountain view	393,035	440,591
Hazina Estate	461,029	521,425
Kitisuru Estate	438,545	427,525
Kibera H/Rise Estate	213,069	226,175
Prudential Estate	1,037	1,092
Kapsoya Estate	40,666	45,684
Tassia Estate	78,961	96,882
	<b>2,617,860</b>	<b>2,908,746</b>
Accrued TPS Income	91,187	104,077
	<b>2,709,047</b>	<b>3,012,823</b>
Less Provisison for doubtful Income	36,474	34,586
	<b>2,672,573</b>	<b>2,978,237</b>





**QUOTED SECURITIES**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
<b>Kenya Power Lighting Co. Ltd.</b> 6,413,801 Ordinary Kshs. 20 Shares 3,550 cum. Preference	1,340,520	1,083,974
<b>East African Breweries Limited</b> 35,979,949 Kshs.10 Ordinary Shares	5,540,912	5,124,123
<b>B.A.T (K) Limited</b> 14,430,000 Kshs.10 Ordinary Shares	2,655,120	3,323,385
<b>Unilever Tea Kenya Ltd</b> 1,437,500 Kshs. 10 Ordinary Shares	106,375	115,000
<b>Kengen Company</b> 17,341,231 ordinary Shares	450,872	252
<b>Bamburi Portland Cement Co. Ltd</b> 61,475,979 Kshs.5 Ordinary Shares( 61,706,279 Kshs 5 Ordinary Shares -2006)	11,680,436	9,009,117
<b>E.A. Portland Cement Co. Ltd.</b> 24,300,000 Kshs.5 Ordinary Shares	2,673,000	3,207,600
<b>Kenya Commercial Bank Limited</b> 187,653,830 Kshs. 10 Ordinary Shares	4,409,865	2,476,933



**QUOTED SECURITIES CONTINUED**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
<b>Housing Finance Co. of Kenya Ltd.</b> 9,902,754 Kshs. 5 Ordinary Shares	381,256	359,692
<b>Sameer Africa Ltd.</b> 5,677,550 Kshs. 5 Ordinary Shares	73,808	140,830
<b>National Bank Of Kenya Ltd.</b> 96,105, 519 Kshs.5 Ordinary Shares	4,565,012	4,540,986
<b>Barclays Bank Of Kenya Ltd.</b> 39,856,967 Ordinary Shares	2,889,558	1,307,327
<b>Standard Bank Of Kenya Ltd.</b> 5,385,952 Ordinary Shares	1,028,717	599,393
<b>Nation Media Group Kenya Ltd.</b> 3,837,858 Ordinary Shares	951,789	761,627
<b>Athi River Mining Company</b> 870,000 Ordinary Shares @ Kshs.5	64,380	58,725
	<b>38,811,620</b>	<b>32,108,964</b>

**11 GOVERNMENT STOCKS**

10% Kenya Stock 2010	408,800	408,800
	<b>408,800</b>	<b>408,800</b>



## 12. UNQUOTED SECURITIES

	<b>2007 Kshs.'000</b>	<b>2006 Kshs.'000</b>
Consolidated Bank Limited Shares		
8,050,000 4% Kshs.20 Cumulative Preference Shares	161,000	161,000
2,225,000 Ordinary Kshs.20 Shares	44,500	44,500
8.25% Nairobi City Council Stock 1990	17,497	17,497
8.5% Nairobi City Council Stock 1993	25,665	25,665
12.25% Nairobi City Council Stock 1994	338,609	338,609
National Bank of Kenya Shares		
235 million N/cum pref. shares	1,175,000	1,175,000
	<b>1,762,271</b>	<b>1,762,271</b>
Less Provisions for doubtful Investment	(381,771)	(381,771)
	<b>1,380,500</b>	<b>1,380,500</b>

## 13. TREASURY BILLS

	<b>2007 Kshs.'000</b>	<b>2006 Kshs.'000</b>
Due within one year	155,987	592,326
	<b>155,987</b>	<b>592,326</b>

## 14. TREASURY BONDS

	<b>2007 Kshs.'000</b>	<b>2006 Kshs.'000</b>
Analysis of Treasury Bonds	6,980,183	4,998,261
Due within 1 year	1,673,293	1,293,806
Due between 1 and 5 years	2,778,404	2,502,760
Due after 5 years	2,528,486	1,201,695
	<b>6,980,183</b>	<b>4,998,261</b>



**15 a) DEPOSITS WITH FINANCIAL INSTITUTIONS**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
Continental Credit Ltd. (In liquidation)	57,188	57,188
Housing Finance Company of Kenya Ltd	-	20,000
Middle Africa Finance Company (In liquidation)	3,668	3,668
Kenya Commercial Bank Ltd		
Nairobi Finance Corporation Ltd. (In liquidation)	3,368	3,368
Pioneer Building Society	34,915	34,915
Post Bank Credit Limited (In liquidation)	553,138	553,138
Prudential Building Society	989,900	989,900
Revolving Funds (Savings and loan Ltd.)	132,000	113,900
Rural Urban Credit Finance Ltd. (In liquidation)	131,765	131,765
Savings and Loan Ltd.	294,750	264,101
Thabiti Finance Company Ltd. (In liquidation)	166,540	166,540
Trade Bank Ltd. ( In liquidation)	197,000	197,000
Trade Finance Ltd. (in liquidation)	6,600	6,600
	<b>2,570,832</b>	<b>2,542,083</b>

See Note 15 (b)

**15 b) PROVISION FOR DOUBTFUL INVESTMENTS**

	<b>2007 KSHS.'000</b>	<b>2006 KSHS.'000</b>
Continental Credit Ltd.	57,188	57,188
Rural Urban Credit Ltd.	131,765	131,765
Pioneer Building Society	34,915	34,915
Middle Africa Finance	3,668	3,668
Nairobi Finance Corporation Ltd.	3,368	3,368
Trade Bank Ltd.	197,000	197,000
Trade Finance Ltd.	6,600	6,600
Post Bank Credit Ltd.	553,138	553,138
Thabiti Finance Ltd.	166,540	166,540
Prudential Building society	989,900	989,900
	(2,144,082)	(2,144,082)
<b>Net Amounts</b>	<b>426,750</b>	<b>398,001</b>



**16. DEBTORS AND PREPAYMENTS**

	<b>2007</b> <b>KSHS.'000</b>	<b>2006</b> <b>KSHS.'000</b>
Sundry Debtors*	756,538	738,733
Deposits & Prepayments	11,918	10,445
Staff Debtors**	417,427	355,673
Legal Debtors***	298,451	298,451
CDS Account	240,927	141,222
Other Debtors	2,374	2,374
Contributions Arrears	160,000	95,000
<b>Total</b>	<b>1,887,635</b>	<b>1,641,898</b>
<b>Provision for doubtful Debtors ****</b>	<b>(647,364)</b>	<b>(647,364)</b>
	<b>1,240,271</b>	<b>994,534</b>
<b>Sundry Debtors*</b>		
Shah Munge Associates	251,516	251,516
Bounced Cheques	94,106	82,167
Other Debtors	51,907	47,278
Milligan & Co.	25,744	25,744
Regent Management Ltd	150	150
Lloyd Masika Ltd	4,787	4,787
Staff Pension Debtor	3,972	2,735
Mugoya Construction	324,356	324,356
	<b>756,538</b>	<b>738,733</b>
<b>Staff Debtors**</b>		
Commutated Pension	89,503	106,659
Staff House Loans	24,387	94,811
Advances and Imprest	32,297	37,073
Staff Car Loans	271,240	117,130
	<b>417,427</b>	<b>355,673</b>
<b>Provision for doubtful Debtors ****</b>		
Shah Munge & Partners*	251,516	251,516
Legal debtors(Mutula Kilonzo)	298,451	298,451
Bounced Cheques (Contributions)	72,272	72,272
M/S Milligan & Company	25,125	25,125
	<b>647,364</b>	<b>647,364</b>
Contributions Due		
Outstanding for less than 30 days	65,000	31,000
Outstanding for more than 30 days	95,000	64,000
	<b>160,000</b>	<b>95,000</b>



\*Shah Munge & Partners debt relates to amounts receivable on a fixed deposit placed by the company with Euro Bank Ltd. (in liquidation) as the amounts are deemed not recoverable.

## 17. TAXATION

According to section 45 of the First schedule of Income Tax Act effective 18 June, 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security) (Exemption) Rules, 2002 effective 1 July, 2002 the Fund will have to comply with certain regulations for it to remain exempt. With effect from 2006/2007 year the Fund has complied with regulations for exemption.

The amounts reflected in the balance sheet relate to taxes overpaid in years prior to the exemption together with any withholding tax on interest and dividends deducted at source as at 30 June, 2007.

In addition the Fund lodged a further claim of Kshs.411 million for tax paid for the period July, to December, 1996 when the Fund was exempt from taxation according to Section 45 of the First Schedule of Income Tax Act.

Negotiations between the Fund and Kenya Revenue Authority (KRA) are ongoing on this issue.

## 18. ACCRUED INCOME

	<b>2007</b> <b>KSHS.'000</b>	<b>2006</b> <b>KSHS.'000</b>
Rent Social Security House Nairobi	164,662	194,896
Rent-Social Security House, Mombasa	25,156	49,680
Rent- Bruce House, Nairobi	27,345	47,766
Rent-Hazina Towers, Nairobi	31,239	29,065
Rent-Hazina Estate, Nairobi	3,825	6,000
Rent View Park Towers	27,760	43,418
Rent Milimani Flats	1,482	1,479
Rent-Other S.S. Houses	23,866	25,637
Rent - Hazina Plaza	237,543	237,543
Interest on Term Deposits	2,398,801	2,367,357
	<b>2,941,679</b>	<b>3,002,841</b>
Less: Provision for doubtful accrued Income:		
Rent	(237,543)	(237,543)
Interest	(1,870,998)	(1,870,998)
	<b>833,138</b>	<b>894,300</b>





## 19. CREDITORS AND ACCRUALS

	<b>2007</b> <b>KSHS.'000</b>	<b>2006</b> <b>KSHS.'000</b>
House Purchase Deposits	520,024	393,778
Sundry Creditors and Accruals*	587,727	820,626
Project Creditors	10,285	121,700
Statutory and other deductions	4,909	79,214
Unclaimed Benefits	232,283	221,238
	<b>1,355,228</b>	<b>1,636,556</b>
Analysis of Sundry Creditors and Accruals*		
Legal fees Payable		
Mutula Kilonzo	293,836	293,836
B. M. Musau	29,250	29,250
Okoth, Ndengu and Kiplagat	7,278	7,278
Land Rent Payable	-	80,433
Prepaid Rent	9,294	31,784
Sundry Creditors	71,817	39,331
Staff Loan Deposits	9,493	53,913
Stale Cheques	24,727	24,743
T.P.S Creditors	35,993	102,988
Audit fees	6,570	10,229
Rental Deposits	74,207	62,537
Accrued Expenses	25,262	84,304
	<b>587,727</b>	<b>820,626</b>



## 20 a) TOTAL CAPITAL EMPLOYED - STATEMENT OF CHANGES IN ACCUMULATED MEMBERS' FUNDS AS AT 30TH JUNE, 2007

The total assets (Funds Employed – Kshs.81,310,870) are therefore, broken down as shown below:

<b>Particulars</b>	<b>Members' Funds Kshs.000</b>	<b>Accumulated Reserves Kshs.000</b>	<b>Revaluation Reserves Kshs.000</b>	<b>Total Kshs. '000</b>
<b>At June, 2005</b>	56,061,380	(15,834,138)	14,019,922	54,247,164
Transfer		4,722,858	(4,722,858)	0
Surplus in Contributions	1,966,183			1,966,183
Market Gain on Investment		7,640,861	-	7,640,861
Interest on Contributions	1,401,535	(1,401,535)	-	0
Income and Expenditure		(386,589)		(386,589)
<b>Restated Balance</b>	<b>59,429,098</b>	<b>(5,258,543)</b>	<b>9,297,064</b>	<b>63,467,619</b>
<b>At June, 2006</b>				
Surplus in Contributions	2,226,831			2,226,831
Market Gain on Investment		3,739,707		3,739,707
Interest on members' accounts	1,445,928	(1,445,928)		0
Income and Expenditure		2,408,511		2,408,511
<b>Restated Balance</b>	<b>63,101,857</b>	<b>-556,253</b>	<b>9,297,064</b>	<b>71,842,668</b>
<b>At June, 2007</b>				
Interest on members' accounts**	1,575,170	(1,575,170)		0
Reversal of Accrued contributions	(95,000)			(95,000)
Net Increase in Assets in the period		9,563,202	-	9,563,202
<b>Balance at 30th June, 2007</b>	<b>64,582,027</b>	<b>7,431,779</b>	<b>9,297,064</b>	<b>81,310,870</b>





## 21. BASIS OF NON CONSOLIDATION OF-INTEREST IN ASSOCIATE

The financial statements of the NSSF are prepared in accordance with S.31 of the NSSF Act. The Section requires NSSF balance sheet to show in details the asset and liabilities of the Fund. Although NSSF owns 48% of ordinary shares and 235 million preference shares in National Bank of Kenya Limited (NBK) the operations of the bank have not been consolidated in the Fund's accounts as required by the International Financial Reporting Standards. The Fund intends to dispose of a substantial amount of the shareholding in 2007/2008 financial year.

Had consolidated Financial Statements been prepared based on the latest audited financial statements of NBK as at 31 December, 2006, NSSF's share in the operations of NBK would have been as follows:-

	<b>NBK Kshs.'000</b>	<b>NSSF'S share Kshs.'000</b>
Profit after taxation	859,161	412,397
Accumulated Deficit	(4,313,675)	(2,070,565)

## 22. RELATED PARTY TRANSACTIONS

<b>a) Income earned from related parties</b>	<b>2007 Kshs.'000</b>	<b>2006 Kshs.'000</b>
Kenya Commercial Bank – Dividend income	131,608	45,182
East African Portland Cement Company	95,490	92,340
NASSEFU Savings and Credit Society Limited – Rental income	215	215
	<b>227,313</b>	<b>137,737</b>
<b>b) Balances due from related parties</b>		
TPS Debtors	160,354	200,824
	<b>160,354</b>	<b>200,824</b>



## 23. CONTINGENT LIABILITIES AND CONTRACTS

### a) CONTRACTS/COMMITMENTS

- (i) Project works at Nyayo Estate Embakasi are ongoing and Kshs.500 million is expected to be paid in 2007/2008 financial year.
- (ii) Refurbishment of Bruce House and SSH Mombasa is expected to be done at a projected cost of kshs.120 million in 2007/2008 year.
- (iii) Final Accounts for the Hazina Centre are expected to be done at Kshs.50 million in 2007/2008 year.
- (iv) Project works for Social Security House Annex are expected to be done at a cost of Kshs.250 million in 2007/2008 year.

### b) LIABILITIES

#### (i) Sololo Outlets Limited Vs NSSF

As at 30 June, 2003 NSSF had a contingent liability of Kshs 4.95 billion, relating to a claim made by Sololo Outlets Limited in High Court Civil Case No.804 of 2002 for an alleged breach of contract in the development of Hazina Estate in South B. NSSF has filed its defence and counter claim of Kshs 3.1 billion. The case has been on going since 1993 and a final ruling is yet to be reached.

#### (ii) Africa Planning and Design Consultants (APDC) Vs NSSF

APDC was engaged by Sololo Outlets Limited as the architects for South B (Hazina) Estate project. On termination of the contract between NSSF and Sololo Outlets Limited in 1993, architects' fees amounting to Kshs.64.9 million had not been paid. APDC enjoined NSSF in the suit claiming that the Fund was the principal to Sololo Outlets Limited, the project developers.

APDC has also sued NSSF for Kshs.42.6 million for professional fees in respect of Quantity Surveyors services rendered to the Fund. The hearing of the case is yet to commence.

#### (iii) James Nderitu Gachagua Vs NSSF

On 26 January 2002, the Plaintiff sued the Fund for Kshs 50.8 million, being Quantity Surveyors fees in respect of the proposed Kitengela Housing Scheme. The plaintiff claims that he was commissioned by NSSF to carry out quantity survey work on the proposed project before it was later suspended by the Fund. NSSF has disputed the claim. However, the matter is in court and final ruling is yet to be reached.



## 24. COMPLIANCE WITH RETIREMENT BENEFITS ACT

The NSSF Amendment Act came into operation on 23 February 2003. S3 of the Act provides that NSSF shall be subject to all the provisions of the Retirement Benefits Act. The Fund has not complied with the following provisions of the Retirement Benefits Act and the rules under the Act:-

- a) S 38 (1) (b) provides that no scheme funds shall be invested contrary to any guidelines specified for that purpose. The retirement benefits rules provide that investment in land and buildings should not exceed 30% of the fund value. However, as at 30 June 2007, investment in land and buildings accounted for 34% of the fund value and efforts are in progress to reduce this to the requisite minimum.
- b) Rule 28 (2) of the occupational rules for a retirement benefit scheme requires the Fund to maintain an account under which all transactions should be recorded. However, as at 30 June 2007, NSSF had Kshs 6.1 billion of contributions held in suspense account. A task force has been established to work on the reduction and elimination of the amount in suspense account.

## 25. COMPLIANCE WITH TRUSTEES ACT

On 22nd September 2003, the long term loan that the Fund had advanced to National Bank of Kenya Limited together with interest accrued from 1st January, 2001 to that date amounting to Kshs 75 million, was applied towards the purchase of 235 million non-cumulative preference shares at a par value of Kshs 5 each in the bank.

The non-cumulative preference shares issued are not quoted on the stock exchange nor had NBK paid any dividend on its ordinary shares which ranked for dividend on each of the five (5) years immediately preceding the year in which the investment in non-cumulative preference shares was made as required by Section 4(d) of the Trustees Act (Cap 167). The Fund intends to dispose of part of the shareholding in the Bank in 2007/2008 year after obtaining approval from the Treasury.

## 26. COMPLIANCE WITH INCOME TAX (NATIONAL SOCIAL SECURITY (EXEMPTION) RULES 2002

According to Section 45 of the First Schedule of Income Tax Act effective 18 June 1996, the Fund is exempted from taxation. However, Income Tax (National Social Security Fund) (Exemption) Rules, 2002 effective 1 July 2002 requires the Fund to comply with regulations that mainly relate to maintenance of members' accounts and valuation of the Fund's assets which the Fund is now fully compliant with.





## 27. INCORPORATION

NSSF is incorporated under the NSSF Act, (Chapter 258 of the Laws of Kenya), which came into effect under Legal Notice No.28 of 1965. NSSF is a body corporate managed by a Board of Trustees appointed by the Minister responsible for Social Security.

## 28. CURRENCY

The Financial Statements are presented in Kenya shillings (Kshs).

