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REPUBLIC OF KENYA


THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

SIXTH REPORT
ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF THE:

1. STORES AND SERVICES FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022
2. OCCUPATIONAL SAFETY AND HEALTH FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

| | |
|--|--|
|  THE NATIONAL ASSEMBLY | |
| DATE: 07 DEC 2023 | |
| day: Thursday | |
| TABLED BY: | Hon. Kahim Dawood, MP Vice Chairman |
| CLERK-AT-THE-TABLE: | A. Shibusko |

Directorate of Audit, Appropriations, and Other Select Committees
National Assembly
Parliament Buildings
NAIROBI

December, 2023

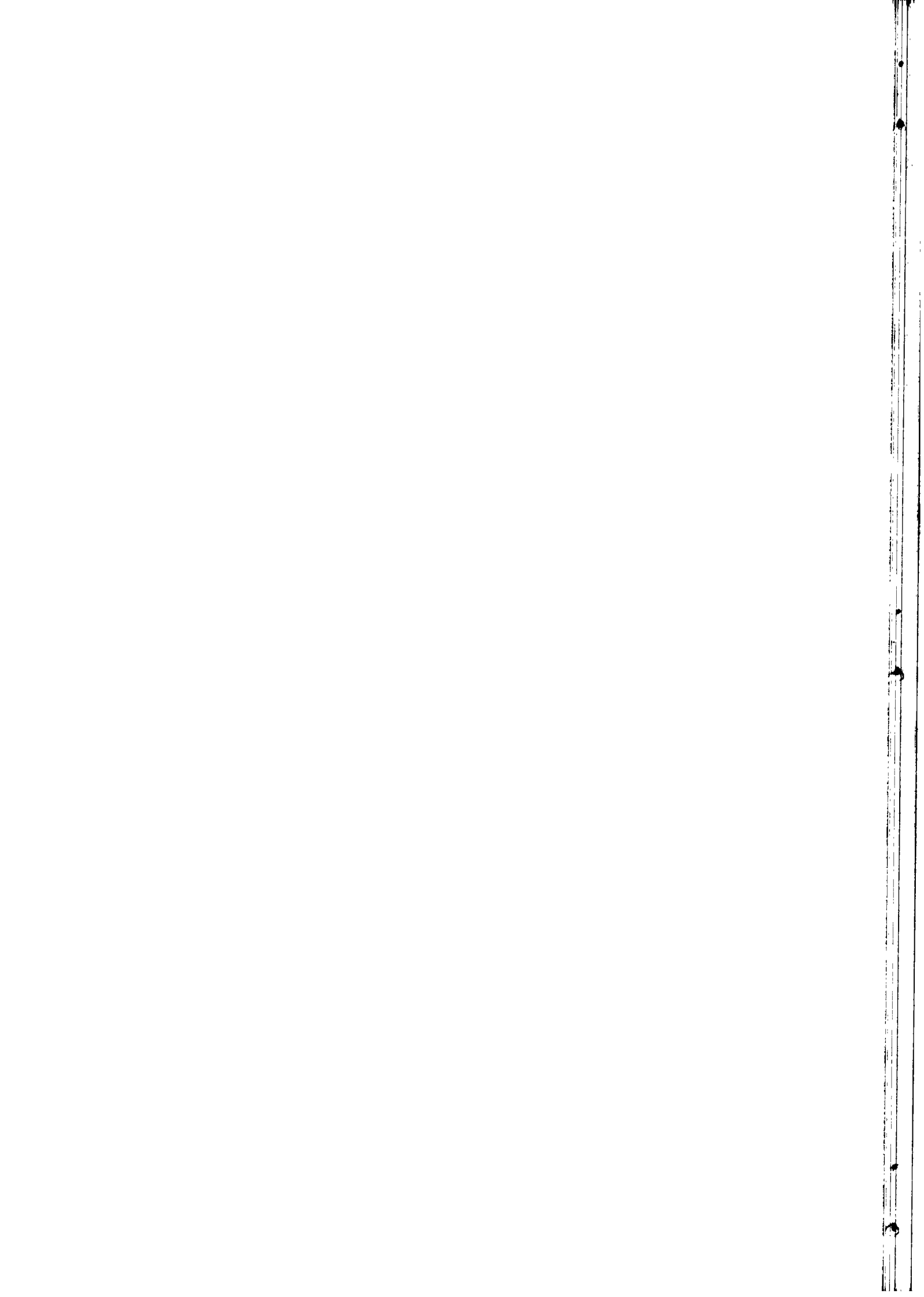


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LIST OF ABBREVIATIONS AND ACRONYMS

| | | |
|-------|---|--|
| CoK | - | Constitution of Kenya, 2010 |
| FY | - | Financial Year |
| MDAs | - | Ministries, Departments and Agencies |
| PFM | - | Public Finance Management |
| OAG | - | Office of the Auditor-General |
| PSASB | - | Public Sector Accounting Standards Board |

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Special Funds Accounts Committee and under Standing Order 199, it is my pleasant duty and honor to present to the House the report of the Committee on the audited financial statements for the Stores and Services Fund for the financial years 2020/2021 And 2021/2022 and the Occupational Safety & Health Fund for the financial years 2020/2021 and 2021/2022.

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 of the CoK provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfilment of these constitutional provisions, the National Assembly established various Committees to examine reports of the Auditor-General to ascertain whether public funds are utilized in a lawful, authorized, effective, efficient, economical, and transparent manner. The Special Funds Accounts Committee, which was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders, is one of these Committees.

The Committee met Mr. Joel Arumonyang, the Principal Secretary State Department for Public Works and Mr. Shadrack Mwadime, Principal Secretary, State Department for Labor and Social Protection to consider the Audited financial statements of the Stores and Services Fund and Occupational Safety and Health Fund respectively.

Hon. Speaker, I wish to express appreciation to the Honourable Members of the Committee, the Office of the Speaker, and the Clerk of the National Assembly, the Parliamentary Liaison Offices of the Auditor-General and the National Treasury and the Committee Secretariat for facilitating the Committee in the production of this report.



HON. DAWOOD ABDUL RAHIM, HSC, M.P.

VICE CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. The Special Funds Accounts Committee is one of the six Watchdog Committees of the National Assembly established under Standing Order 205. It is mandated to examine the reports of the Auditor General on the following:

- ii. *Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee);*
- iii. *The Equalization Fund;;*
- iv. *The Equalization Fund Advisory Board;*
- v. *The Political Parties Fund; and*
- vi. *Other funds as may be communicated by the Honorable Speaker*

1.2 Committee Membership

2. The Committee comprises the following members:

| S/N | Name | Constituency | Party |
|-----|--|-----------------|-------------|
| 1 | Hon. Fatuma Zainab Mohammed, MP (Chairperson) | Migori (CWR) | Independent |
| 2 | Hon. Dawood Abdul Rahim, HSC, MP (Vice Chairperson) | North Imenti | Independent |
| 3 | Hon. Faith Wairimu Gitau, MP | Nyandarua (CWR) | UDA |
| 4 | Hon. Charles Ngusya Nguna | Mwingi West | Wiper |
| 5 | Hon. Dr. Christine Ombaka Oduor, MP | Siaya (CWR) | ODM |
| 6 | Hon. Erastus Kivasu Nzioka, MP | Mbooni | Wiper |
| 7 | Hon. Eve Akinyi Obara, MP | Kabondo Kasipul | ODM |
| 8 | Hon. Joseph Majimbo Kalasinga, MP | Kabuchai | FORD-K |
| 9 | Hon. Tom Mboya Odege, MP | Nyatike | ODM |
| 10 | Hon. Catherine Nakhabi Omanyoo, MP | Busia (CWR) | ODM |
| 11 | Hon. Cecilia Asinyen Ngitit, MP | Turkana (CWR) | UDA |
| 12 | Hon. Erick Kahugu Wamumbi, MP | Mathira | UDA |
| 13 | Hon. Joseph Kimutai Cherorot, MP | Kipkelion East | UDA |
| 14 | Hon. Joshua Odongo Oron, MP | Kisumu Central | ODM |
| 15 | Hon. Paul Kibichi Biego, MP | Chesumei | UDA |

1.3 **Committee Secretariat**

3. The Secretariat facilitating the Committee comprises the following staff:

| S/N | NAME | DESIGNATION |
|------------|---------------------|-----------------------------------|
| 1 | Mr. Leonard Machira | Principal Clerk ssAssistant II |
| 2. | Ms. Comfort Achieng | Clerk Assistant III |
| 3 | Mr. Silvanus Makau | Clerk Assistant III |
| 4 | Mr. Robert Ngetich | Fiscal Analyst II |
| 5 | Ms. Judith Kanyoko | Legal Counsel II |
| 6 | Ms. Bevaline Mosoti | Research Officer III |
| 8 | Ms. Pauline Sifuna | Hansard Officer III |
| 9 | Ms. Maryam Gabow | Public Communications Officer III |
| 10 | Mr. Peter Mutethia | Audio Recording Officer III |
| 11 | Mr. Benard Omondi | Serjeant At Arms |

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

4. While examining the audited reports, the Committee made the following general observations and recommendations:

a. Lack of Underlying Records and Approved Budget

5. The Stores and Services Fund did not provide for audit review, the underlying records used to prepare the financial statements by way of approved budget and trial balance. In addition, the financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB)
6. The Committee recommends that:
 - i. The Auditor-General to verify and confirm whether the statement of comparison of budget and actual amounts are included in the financial statements in compliance with the requirements of the Public Sector Accounting Standards Board (PSASB) guidelines during the audit for the financial year 2022/2023;
 - ii. The Accounting Officer to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 68(1) and Section (2)(h) of the Public Finance Management Act, 2012 and Regulation 31(2) of Public Finance Management (National Government) Regulations, 2015;
 - iii. The Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and the standards prescribed by the Public Sector Accounting Standards Board as per regulation 101(4) of the Public Finance Management (National Government) Regulations, 2012.

b. Unsupported Inventories Balance

7. The inventory balance of Kshs.197,048,168 on the Stores and Services Fund remained the same over the years. However, no supporting documents were provided for audit, including stock take schedules for the inventories balance and stock ledgers.
8. The Committee recommends that:
 - i. Within three months (3) upon adoption of this report, the Accounting Officer to provide the stock take schedules for the inventory balance as well as stock ledgers to the Auditors General for Audit verification

- ii. The Accounting Officer to ensure there are proper control systems to eliminate theft, losses, wastage, and misuse of the Fund's assets in compliance with Regulation 139 of the Public Finance Management (National Government) Regulations, 2012.

c. Irregular Issue of Multiple Imprests

9. The Committee observed that the expenditure records on the Occupational Safety and Health Fund indicated that new imprests totalling Kshs.675,200 were issued to Officers who had not surrendered previous imprests. Consequently, Management was in breach of Regulation 92(4) (b) of the Public Finance Management Act (National Government) Regulations, which prohibits the issue of new imprests to persons that have not surrendered previous ones.
10. The Committee recommends that the Accounting Officer ensure that Regulation 93(4) (b) of the Public Finance Management Act (National Government) Regulations, 2015 is always complied with when issuing temporary imprests.

d. Ineffective Audit Committee

11. The Committee observed that the Stores and Services Fund records revealed that the Audit Committee of the State Department for Public Works met twice during the year under review. This was contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015, which states that the audit committee shall meet at least once every three months.
12. The Committee recommends that the Accounting Officer to ensure compliance with Regulations 179 (1) of the Public Finance Management Regulation 2015 which requires that the Audit Committee meets at least once every three months.

3.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE STORES AND SERVICES FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021 /2022

13. Mr. Joel Arumonyang, the Principal Secretary, State Department for Public Works appeared before the Committee on Thursday 17th August 2023 to adduce evidence on the audited financial statements for the Stores and Services Fund for the Financial Years 2020/2021 and 2021/2022. The minutes of the Committee sitting, and Submissions tabled by the Accounting Officer are annexed to this report. He was accompanied by:

- | | | |
|----------------------|---|-----------------------------------|
| 1. Mr. Joseph Bullut | - | Director, Head of Supplies Branch |
| 2. Mr. Michael Ngolo | - | AAG |
| 3. Mr. Samson Ongach | - | SDAG |

3.1 Examination of the report of the Auditor-General for the Financial Year 2020/2021 Basis for Disclaimer of Opinion

1. Lack of Underlying Records and Approved Budget

14. During the audit, the Fund did not provide for audit review, the underlying records used to prepare the financial statements by way of approved budget and trial balance. In addition, the financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB).
15. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Submissions by the Accounting Officer

16. The Accounting Officer submitted that the ledgers and the Trial balance have since been provided to the auditor for verification. He further submitted that the Supplies Branch budget support is received from the mainstream State Department for Public Works under head 0001 subhead 1. The Supplies Branch operating budget is, therefore in the State Department for Public Works.
17. Further, with the dormancy of the Fund and a shift to focusing on online posting of term contracts, the Supplies Branch, in conjunction with the National Treasury and Attorney-General, were drafting manuals and procedures which, among others, will address the financial model of the fund to drive the activities of the organization towards a newly engineered model that reflects a heavy investment in ICT and capacity building of the Supplies Branch.

Observations and Findings of the Committee

18. The Committee observed that:

- i. The financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB); and
- ii. The matter remained unresolved.

Recommendations of the Committee

19. The Committee recommends that:

- i. **The Accounting Officer to submit a revised statement of comparison of budget and actual amounts in compliance with the requirements of the Public Sector Accounting Standards Board (PSASB) guidelines to the Auditor -General within three months of the adoption of this report;**
- ii. **The Accounting Officer to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 68(1) and Section (2)(h) of the Public Finance Management Act, 2012 and Regulation 31(2) of Public Finance Management (National Government) Regulations, 2015;**
- iii. **The Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and the standards prescribed by the Public Sector Accounting Standards Board as per regulation 101(4) of the Public Finance Management (National Government) Regulations,2012.**

2. Unsupported Revenue from Exchange Transactions

20. The statement of financial performance reflects revenue from exchange transactions - the sale of goods of Kshs.112,673. However, the Fund Management did not provide the relevant supporting documents supporting the sales. Further, it appears strange that there were no expenses to match the revenue as required by the matching concept.

21. In the circumstances, the accuracy and validity of the reported revenue from exchange transactions - the sale of goods of Kshs.112,673 could not be confirmed.

Submissions by the Accounting Officer

22. The Accounting Officer submitted that the revenue was realized from the sales of flags during the financial year 2020/2021. There were no expenses to match the revenue because the operational expenditure of the Supplies Branch is supported by the budget of the State Department for Public Works. The analysis of the sales was as follows:

| Date | Sales |
|----------------------------|-------------------|
| 15/10/2020 | 37,035.00 |
| 29/03/2021 | 68,064.00 |
| 27/04/2021 | <u>46,574.00</u> |
| | <u>151,673.00</u> |
| 28/04/2023 (unpaid cheque) | <u>39,000.00</u> |
| Reported Sales | <u>112,673.00</u> |

Observations and Findings of the Committee

23. The Committee observed that:

- i. There were no expenses to match the revenue as required by the matching concept because the operational expenditure of the Supplies Branch was supported by the State Department budget;
- ii. The figure of Kshs.112,673 reflected in the financial statements for the sale of goods was not supported by documentary evidence, and
- iii. The matter remained unresolved.

Recommendations of the Committee

24. The Committee recommends that:

- i. Within three months of the adoption of this report, the Accounting Officer to submit documents to support the sales figure of Kshs.112,673 to the Auditor - General for audit verification; and**
- ii. The Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and in accordance with Regulation 64(6) of Public Finance Management (National Government) Regulations, 2015.**

3. Receivables from Exchange Transactions

25. As previously reported, the statement of financial position reflects receivables from exchange transactions balance of Kshs. 1,232,261, which has been outstanding for over three (3) years. No provision for bad and doubtful debts has been made in the financial statements. Further, the Fund Management did not provide any documentation or information supporting this balance.

26. Consequently, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs. 1,232,261 could not be confirmed.

Submissions by the Accounting Officer

27. The Accounting Officers confirmed that the receivables from exchange transaction balances of kshs1, 232,261 as 30th June 2019 include receivables which had remained outstanding over four years and that the schedule of these receivables could not be confirmed. He recommended that the balance of kshs1,232,261 be written off.

Observations and Findings of the Committee

28. The Committee observed that:

- i. The receivables from exchange transactions balance of Kshs.1,232,261 had been outstanding for more than three (3) years.
- ii. The Fund management did not provide any documentation or information supporting the balance.
- iii. The matter remained unresolved.

Recommendations of the Committee

29. The Committee recommends that:

- i. **Within three (3) months upon the adoption of this report, the Accounting Officer to submit the status report on the recoveries made to the Auditor General for audit verification and**
- ii. **The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015.**

4. Unsupported Inventories Balance

30. The statement of financial position reflects an inventory balance of Kshs. 197,048,168 as at 30 June, 2021. This figure has remained the same over the years. However, no supporting documents were provided for audit, including stock take schedules for the inventories balance and stock ledgers.

31. In the circumstances, the accuracy and existence of the inventory balance of Kshs. 197,048,168 as at 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

32. The Accounting Officer submitted that the last stocktaking was carried out in the financial year 2018/2019 and that no comprehensive stocktaking has been done for the financial years 2019/2020 and 2020/2021 due to a lack of budget allocation to facilitate the exercise because most of the stocks are held in various regional offices across the country, i.e. Nakuru, Kisumu, Mombasa, Kisii, Kakamega and Nyeri.

33. He further submitted that the stock-taking report as at 30th June, 2019 was provided for audit verification.

Observations and Findings of the Committee

34. The Committee observed that:

- i. Management did not provide for audit the supporting documents, including stock take schedules and stock ledgers to support the inventories balance of Kshs.197,048,168, and
- ii. The matter remained unresolved.

Recommendations of the Committee

35. The Committee recommends that:

- i. **Within three months (3) upon adoption of this report, the Accounting officer to provide the stock take schedules for the inventory balance as well as stock ledgers to the Auditors General for Audit verification**
- ii. **The Accounting Officer to ensure there are proper control systems to eliminate theft, losses, wastage, and misuse of the Fund's assets in compliance with Regulation 139 of the Public Finance Management (National Government) Regulations, 2012.**

5. Trade and Other Payables from Exchange Transactions

i. Unsupported Suspense Account Balance

36. As reported previously, the statement of financial position reflects a suspense account balance of Kshs. 19,641,489 as at 30 June, 2021. However, supporting documents for the balance were not provided for audit review.

37. Consequently, the accuracy and validity of the suspense account balance of Kshs. 19,641,489 could not be confirmed.

Submissions by the Accounting Officer

38. The Accounting Officer submitted the suspense account balance of Kshs. 19,641,489 arose from a difference in the books of accounts in the year 2018/2019. The same figure appeared in the year 2019/2020. The error has since been corrected.

Observations and Findings of the Committee

39. The Committee observed that:

- i. The supporting documents for the suspense account balance of Kshs.19,641,489 as at 30th June, 2021 were not provided for audit review: and

The matter remained unresolved.

Recommendations of the Committee

40. The Committee recommends that:

- i. **Within three months of the adoption of this report, the accounting officer to reconcile and clear the outstanding amount of Kshs.19,641,489 appearing in the suspense account and to submit the supporting documents to the Auditor General for audit verification; and**

- ii. **The Accounting Officers to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015, and Section 68 (1) of the Public Finance Management Act, 2012.**

(ii) Unsupported Payments Received in Advance

41. As reported previously, the statement of financial position reflects payments received in advance balance of Kshs. 57,166,713 as at 30 June, 2021. However, documents supporting the balance by way of bank statements and/or a schedule indicating the dates of the deposits were not provided for audit review.
42. In the circumstances, the accuracy of the payments received in the advance balance of Kshs. 57,166,713 could be confirmed.

Submissions by the Accounting Officer

43. The Accounting Officer acknowledged that the Kshs. 57, 166,713 received in advance as indicated in the statement of financial position, did not have supporting documents. He submitted that the figure was brought forward from the previous years, and the management could not obtain the documents supporting the same.

Observations and Findings of the Committee

44. The Committee observed that:
 - i. The documents in support of the payments received in advance of Kshs.57,166,713 by way of bank statements and/or a schedule indicating dates of the deposits were not provided for audit review; and
 - ii. The matter remained unresolved.

Recommendations of the Committee

45. **The Committee recommends that**
 - i. **within three months upon the adoption of this report, the Accounting Officer to provide the supporting documents of the bank statements of the payments received in advance Kshs.57,166,713 and dates of deposits for audit verification.**
 - ii. **The Accounting Officers to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015, and Section 68 (1) of the Public Finance Management Act, 2012.**

6. Unsupported Bank Overdraft

46. As reported previously, the statement of financial position and Note 12 to the financial statements reflect borrowings - bank overdraft (CBK) balance of Kshs. 283,595,154 as at 30 June, 2021. This contradicts Regulation 83(3) of Public Finance Management (National

Government) Regulations, 2015, which requires that a National Government overdraft at the Central Bank of Kenya be retired by the end of the financial year. Further, the supporting documents for this balance were not provided for audit.

47. Consequently, it was not possible to confirm that the bank overdraft balance of Kshs. 283,595,154 as at 30 June, 2021 was fairly stated.

Submissions by the Accounting Officer

48. The Accounting submitted that the statement of financial position for the financial year 2017/2018 reflected a borrowing bank overdraft (CBK) of ksh.844,003,800. During the financial year 2018/2019, an amount of ksh.560,408,645 was written off as per the Central Bank of Kenya letter dated 8th September 2008, which was provided to the Auditor General for verification., leaving a balance of kshs.283,595,154 as the outstanding overdraft.

Observations and Findings of the Committee

49. The Committee observed that:

- i. The Management did not provide supporting documents for the borrowings-bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification in contravention of Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015 which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year; and
- ii. The matter remained unresolved.

Recommendations of the Committee

50. **The Committee recommends that:**

- i. Within three months upon the adoption of this report by the National Assembly, the Accounting Officer to provide supporting documents for the bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification.**
- ii. The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015.**

7. Effectiveness of the Audit Committee

51. During the year under review, the State Department for Public Works nominated five members to the Audit Committee. However, available information indicates that the Committee met only once, contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the audit committee shall meet at least once in every three months.

52. In the circumstances, the effectiveness of the audit committee over the Fund's operations for the year ended 30th June, 2021 could not be confirmed.

Submissions by the Accounting Officer

53. The Accounting Officer acknowledged that the Audit Committee did not review the Fund's operation during the period under review. This was because the committee's five members were appointed to oversee the State Department of Infrastructure, Public Works and Transport. Due to time and resource constraints, they could not check the Store Fund operations.

Observations and Findings of the Committee.

54. The Committee observed that:

- i. The Audit Committee met only once, contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations and
- ii. The matter remained unresolved.

Recommendations of the Committee

55. **The Committee recommends that the Accounting Officer to ensure compliance with Regulations 179 (1) of the Public Finance Management Regulation 2015 which requires that the Audit Committee meets at least once every three months.**

3.2 Consideration of the Report of the Auditor-General for the Financial year 2021/2022

Basis for Disclaimer Opinion

1. Lack of Underlying Records and Approved Budget

56. As previously reported, Management did not provide the underlying records used to prepare the financial statements through an approved budget and trial balance. In addition, the financial statements presented for audit did not include the statement of comparison of budget and actual amounts as per the prescribed reporting template issued by the Public Sector Accounting Standards Board (PSASB).
57. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Submissions by the Accounting Officer

58. The Accounting Officer acknowledged that the ledgers and the trial balance were not availed during the audit period. However, the same has since been provided to the auditors for verification. He further submitted the Supplies Branch (SB) budget is currently supported by the mainstream State Department for Public Works under head 0001 sub head
59. Further, with the dormancy of the Fund and a shift to focusing on online posting of term contracts, the Supplies Branch, in conjunction with the National Treasury and Attorney-General, were in the process of drafting manuals and procedures which, among others, will address the financial model of the Fund to drive the activities of the organization towards a newly engineered model that reflects a heavy investment in ICT and capacity building of SB.

Observations and Findings of the Committee

60. The Committee observed that:
- i. The financial statements presented for audit did not include the statement of comparison of budget and actual amounts as per the prescribed reporting template issued by the Public Sector Accounting Standards Board (PSASB), and
 - ii. The matter remained unresolved.

Recommendations of the Committee

61. The Committee recommends that:
- i. **The Accounting Officer to submit a revised statement of comparison of budget and actual amounts are included in the financial statements in compliance with the requirements of the Public Sector Accounting Standards Board (PSASB) guidelines to the Auditor General within three months of the adoption of this report ; and**
 - ii. **The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the**

provisions of Section 68(1) and Section (2)(h) of the Public Finance Management Act, 2012 and Regulation 31(2) of Public Finance Management (National Government) Regulations, 2015.

2. Unsupported Receivables from Exchange Transactions

62. The statement of financial position reflects receivables from the exchange transactions balance of Kshs. 1,232,261 and as disclosed in Note 9 to the financial statements which had been outstanding for more than four (4) years. However, as previously reported, Management did not provide any documentation or information supporting this balance. In addition, no provision for bad and doubtful debts was made regarding the amount.
63. In the circumstances, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs. 1,232,261 could not be confirmed.

Submissions by the Accounting Officer

64. The Accounting Officer admitted that the receivables from the exchange transaction balance of Kshs. 1,232,261 as 30th June 2019 remained outstanding over four years. He submitted that the schedule of these receivables could not be confirmed and recommended that this amount be written off.

Observations and Findings of the Committee.

65. The Committee observed that:
- i. Management did not provide any documentation or information in support of Kshs. 1,232,261, which had been outstanding for more than four (4) years;
 - ii. No provision for bad and doubtful debts was made regarding the amount.
 - iii. The matter remained unresolved.

Recommendations of the Committee

66. **The Committee recommends that:**
- i. **Within three (3) Months upon the adoption of this report, the Accounting Officer to provide the required documents in support of Kshs. 1,232,261 to the Auditor for Audit verification.**
 - ii. **The Accounting Officers to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015.**

3. Unsupported Inventories

67. The statement of financial position reflects an inventory balance of Kshs. 197,048,168 and as disclosed in Note 10 to the financial statements. However, Management did not provide supporting documents, including stock take schedules and stock ledgers, during the audit period. In addition, the amount remained the same over the years without an explanation from the Management.

68. In the circumstances, the accuracy and existence of the inventory balance of Kshs. 197,048,168 as at 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

69. The Accounting Officer submitted that the last stock-taking was completed in 2018/2019. He further stated that no comprehensive stock-taking had been done for the financial years 2019/2020 and 2021/2022 due to a lack of budget allocation to facilitate the exercise because most of the stocks are held in various regional offices across the country i.e. Nakuru, Kisumu, Mombasa, Kisii, Kakamega and Nyeri.

Observations and Findings of the Committee.

70. The Committee observed that:

- i. Management did not provide the supporting documents including stock take schedules and stock ledgers to support the inventory balance of Kshs. 197,048,168
- ii. The inventory balance remained the same over the years without an explanation from the Management.
- iii. No comprehensive stock-taking had been done due to a lack of budget.
- iv. The Matter remained unresolved.

Recommendations of the Committee

71. The Committee recommends that:

- i. Within three months the Accounting Officer to provide supporting documents including stock take schedules and stock ledgers to support the inventory balance of Kshs. 197,048,168 for audit verification.**
- ii. The Accounting Officer to ensure strict adherence to Section 160 (1) of the Public Procurement and Disposal Act, 2015 and submit a comprehensive stock take report to the Auditors for verification within three (3) Months upon adoption of this report by the National Assembly; and**
- iii. The Accounting Officer must ensure proper control systems to eliminate theft, losses, wastage, and misuse of the Fund's assets in compliance with Regulation 139 of the Public Finance Management (National Government) Regulations, 2012.**

4. Trade and Other Payables from Exchange Transactions

72. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs. 76,808,202 and as disclosed in Note 11 to the financial statements. However, the following anomalies were observed:

i. Unsupported Suspense Account Balance

73. Included in the trade and other payables from exchange transactions balance of Kshs. 76,808,202 is a suspense account balance of Kshs. 19,641,489. However, as previously reported, supporting documents for the balance were not provided for audit.
74. In the circumstances, the accuracy, existence, and completeness of the suspense account balance of Kshs. 19,641,489 could not be confirmed.

Submissions by the Accounting Officer

75. The Accounting Officer submitted the suspense account balance of Kshs. 19,641,489 was because of the difference in the books of accounts in 2018/2019. The same figure was carried over in the year 2019/2020. However, the error has since been corrected.

Observations and Findings of the Committee.

76. The Committee observed that:
- i. Supporting documents for the suspense account balance of Kshs.19, 641,489 were not provided for audit.
 - ii. The matter was not addressed.

Recommendations of the Committee

77. The Committee recommends that:

Within three months of the adoption of this report, the Accounting Officer should reconcile and clear the outstanding amount of Kshs.19,641,489 appearing in the suspense account and to submit the supporting documents to the Auditor General for audit verification.

ii Unsupported Payments Received in Advance

78. Included in the trade and other payables from exchange transactions balance of Kshs. 76,808,202 is payments received in the advance balance of Kshs. 57,166,713. However, as previously reported, the documents supporting the balance through bank statements or a schedule indicating the dates of the deposits were not provided for audit review.

In the circumstances, the accuracy and completeness of the payments received in the advance balance of Kshs. 57,166,713 could be confirmed.

Submissions by the Accounting Officer

79. The Accounting Officer acknowledged that of Kshs. 57, 166,713 received in advance as indicated in the statement of financial position, did not have supporting documents. The amount was brought forward from the previous years, and management could not obtain the documents supporting the same.

Observations and Findings of the Committee.

80. The Committee observed that:

- i. The documents in support of the payments received in advance balance of Kshs.57, 166,713 by way of bank statements or a schedule indicating dates of the deposits were not provided for audit review; and
- ii. The matter remained unresolved.

Recommendations of the Committee

81. The Committee recommends that within three (3) months upon adoption of this report, the Accounting Officer to provide the bank statements for payments received in advance of Kshs.57, 166,713 and dates of the deposits for audit verification.

5. Unsupported Bank Overdraft/ Long Term Portion of Borrowing

82. The statement of financial position reflects the borrowings-bank overdraft (CBK) balance of Kshs. 283,595,154 and as disclosed in Note 12 to the financial statements. However, as reported previously, Management did not provide for audit the supporting documents for this balance. This was contrary to Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015, which requires that a National Government overdraft at the Central Bank of Kenya be retired by the end of the financial year.

83. In the circumstances, the accuracy and regularity of the bank overdraft balance of Kshs. 283,595,154 could not be confirmed.

Submissions by the Accounting Officer

84. The Accounting Officer submitted that the statement of financial position for the financial year 2017/2018 reflected a borrowing bank overdraft (CBK) of Kshs 844,003,800. During the financial year 2018/2019, Kshs 560,408,645 was written off as per the Central Bank of Kenya letter dated 8th September 2008, leaving a balance of kshs.283,595,154 as outstanding overdraft.

Observations and Findings of the Committee.

85. The Committee observed that:
- ii. Management did not provide for audit the supporting documents for the borrowings-bank overdraft (CBK) balance of Kshs.283, 595,154 in accordance with Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015, which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

86. The Committee recommends that within three months upon the adoption of this report, the Accounting Officer should provide supporting documents for the bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification.

6. Ineffective Audit Committee

87. Review of Fund's records revealed that the Audit Committee of the State Department for Public Works met twice during the year under review. This was contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015, which states that the audit committee shall meet at least once every three months.
88. In the circumstances, the effectiveness of the Audit Committee over the Fund's operations could not be confirmed.

Submissions by the Accounting Officer

89. The Accounting Officer admitted that the Audit Committee did not review the Fund's operation during the period under review. This was because the five members of Audit were appointed to oversee the State Department of Infrastructure, Public Works, and Transport and due to time and resource constraints, they could not review the Fund's operations.

Observations and Findings of the Committee

90. The Committee observed that:
- i. The Audit Committee of the State Department for Public Works met twice during the year under review contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015, which states that the audit committee shall meet at least once every three months.
 - ii. The matter remained unresolved.

Recommendations of the Committee

91. **The Committee recommends that the Accounting Officer to ensure compliance with Regulations 179 (1) of the Public Finance Management Regulation 2015 which requires that the Audit Committee meets at least once every three months.**

4.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE OCCUPATIONAL SAFETY AND HEALTH FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

92. Mr. Shadrack Mwadime, Principal Secretary, State Department for Labor and Social Protection, appeared before the Committee on Thursday, 26th October 2023, to adduce evidence on the audited financial Statements for the Occupational Safety and Health Fund for Financial Years 2020/2021 and 2021/2022. The minutes of the Committee sitting and submissions tabled by the Accounting Officer are annexed to this report. He was accompanied by:

- | | | |
|-----------------------|---|---------------------------|
| 1. Dr. Musa Nyandusi | - | Secretary OSH |
| 2. Ms. Milly Akoth | - | Deputy Accountant General |
| 3. Mr. Jones Nyakundi | - | SCMAI |
| 4. Ms. Mercy Kigo | - | SPFO |
| 5. Mr. Paul Abade | - | Principal Accountant |

4.1 Examination of the Report of the Auditor-General for the Financial Year 2020/2021

Basis for Qualified Opinion

1) Irregular Transfer of Appropriations-In-Aid

93. The statement of financial performance reflects the use of goods and services payments totalling Kshs99,894,839. Included in the balance is Kshs5,868,000 denoted in Note 3 to the financial statements as a transfer of Appropriations-in-Aid to the State Department for Labour. Management explained the transfers as expenditure incurred by the Directorate of Occupational Safety and Health Services on activities of the Directorate and the State Department of Labour.
94. However, the financial statements for the Ministry of Labour and Social Protection for the year under review did not reflect the receipt of Kshs5,868,000 from the Fund. Further, the Occupational Safety and Health Act, 2007 does not provide for transfer to the State Department of Appropriations -in-Aid collected by the Fund.
95. Consequently, a reflection of the Appropriations-in-Aid totalling Kshs5,868,000 as expenditure on the use of goods and services was irregular and may have resulted in a misstatement of the financial performance of the Fund in the year under review. Further, the propriety of the expenditures incurred from the transfers could not be confirmed.

Submissions by the Accounting Officer

96. The Accounting Officer submitted that the collection of Ksh5,865,000 as A-in-A was spent at source at the Directorate. However, the auditor advised the management to collect and transfer the collection to the State Department and spend from there.

97. This has since been corrected, and in the subsequent financial year 2021/22, A-in-A collected amounting to Ksh4,909,600 was transferred to the State Department of Labour and spent from there.

Findings and Observations of the Committee

98. The Committee observed that:

- i. During the year under review, the management did not transfer the excess AIA balance of Kshs.5,865,000 to the State Department for Labour, contrary to the Occupational Safety and Health Act, 2007;
- ii. In compliance with the recommendations provided by the Auditors regarding the stipulations of Regulation 43(c) of the Public Finance Management Act (National Government) Regulations, 2015, the Fund adhered to the law by transferring Kshs. 4, 909,600 in AIA to the State Department Headquarters in the subsequent fiscal year; and
- iii. The matter is resolved.

Recommendations of the Committee

99. **The Committee recommends that the Accounting Officer to ensure that Regulation 43(c) of the Public Finance Management Act (National Government) Regulations, 2015 is always complied with when collecting and accounting for appropriation-in-aid.**

2) Prior Year Audit Matters.

100. Only one out of several issues is reported to have been resolved by the end of the year under review. No explanation was provided for the delay in resolving the outstanding issues.

Submissions by the Accounting Officer

101. The Accounting Officer submitted as follows in respect to the unresolved prior year matters:

- i. **Unconfirmed motor vehicles:** The auditors from the office of the Auditor -General visited the regional offices and confirmed the presence of vehicles highlighted in the prior year audit;
- ii. **Register of Workplaces:** The audit exercise flagged the workplace registration process for being manual. Consequently, the Directorate has initiated the automation of workplace registration through the assistance of the World Bank. The exercise is expected to be completed within the current financial year.

Unrecovered Repairs and Maintenance: At the time of the Audit, it was noted that there were repairs to a motor vehicle used in the State Department. The correct position is that the vehicle was shared between the Directorate and the State Department; hence, the repairs were justifiable.

Findings and Observations of the Committee

102. The Committee observed that:

- i. The matter of the unconfirmed motor vehicles was addressed since the office of the Auditor General was involved in the confirmation of assets and confirmed the presence of the said vehicles;
- ii. The issue of unrecovered repairs and maintenance was addressed since the vehicles are shared between the Directorate and the State Department; hence the repairs were justifiable;
- iii. The management has initiated the automation of workplace registration;
- iv. The remained unresolved.

Recommendations of the Committee

103. **The Committee recommends that within three months (3) upon adoption of this report by the National Assembly, the Accounting Officer to provide a progress report on the status of the automation of the register of workplaces in compliance with Section 31(1) (a) of the Audit Act, 2015.**

3) Irregular Issue of Multiple Imprests

104. Examination of expenditure records indicated that new imprests totalling Kshs.675,200 were issued to Officers who had not surrendered previous imprests. Consequently, Management was in breach of Regulation 92(4) (b) of the Public Finance Management Act (National Government) Regulations, which prohibits the issue of new imprests to persons that have not surrendered previous ones.

Submissions by the Accounting Officer

105. The Accounting Officer submitted that the imprests were issued to officers who had surrendered them but had not been updated during the Audit. The imprests were issued and surrendered after the 30th of June 2021 but not later than 7 days after returning to the station.

Findings and Observations of the Committee

106. The Committee observed that:

- i. The management issued imprests totalling Kshs.675 200 to officers who had not surrendered previous imprests in breach of Regulation 93(4) (b) of the Public Finance Management.
- ii. The imprest register had not been updated by the time of the audit period, but the surrender has since been verified by the Auditors and cleared.
- iii. The matter is resolved.

Recommendations of the Committee

107. **The Committee recommends that the Accounting Officer to ensure that Regulation 93(4) (b) of the Public Finance Management Act (National Government) Regulations, 2015 is always complied with when issuing temporary imprests.**

4.2 Consideration of the Report of the Auditor-General for the financial year 2021/2022

1) Long Outstanding Payables

108. The statement of financial position reflects the trade and other payables from exchange transactions balance of Kshs. 681,213 and as disclosed in Note 10 to the financial statements.
109. A review of documents provided for audit revealed the balance comprises of Kshs. 300,000 and Kshs. 381,213 for audit fees and retention fees, respectively, which have remained outstanding for more than one year.
110. No plausible explanation was provided for non-payment of the outstanding payables before the end of the financial year under review. In the circumstances, the completeness and accuracy of the trade and other payables from exchange transactions balance of Kshs. 681,213 could not be confirmed.

Submissions by the Accounting Officer

111. The Accounting Officer submitted that the balance of Kshs300,000 payable to the Office of the Auditor General (OAG) for audits conducted in 2018, 2019, 2020 and 2021 remained unpaid. has since been settled. A copy of the payment voucher was submitted for verification.
112. He further submitted that at the time of the audit, there were pending payments to the contractor whose retention money was withheld pending performance verification as advised by the Department of Public Works. The balance was released to the contractor.

Findings and Observations of the Committee

113. The Committee observed that:
- i. An amount of Kshs.300,000 and Kshs.381,213 in respect of audit fees and retention fees, respectively, remained outstanding for more than one year, contrary to Section 42 (1) (a) of the Public Finance Management Act 2015
 - ii. The Audit fees and retention balance of Kshs.681,213 were settled and paid, and receipts were verified.
 - iii. The matter is resolved

Recommendations of the Committee

114. **The Committee recommends that the Accounting Officer to always ensure strict compliance with Section 42 (1) (a) of the Public Finance Management Act 2015, National Government regulations on debt service payments.**

2) Variance in Comparative Balance-Specialized Plant and Equipment

115. The statement of financial performance reflects a comparative amount concerning the purchase of specialized plant and equipment of Kshs13,365,540. However, audited

financial statements for the year ended 30 June 2021 did not reflect an amount concerning the purchase of specialized plant and equipment.

116. In the circumstances, the existence and accuracy of the comparative amount on purchase of specialized plant and equipment of Kshs.13,365,540 could not be confirmed.

Submissions by the Accounting Officer

117. The Accounting Officer submitted that the financial statement was prepared on an IPSAS Accrual Basis, not IPSAS Cash. There was an error in expensing additional costs on Property, Plant and Equipment and not Specialized Plant and Equipment in the Statement of Performance instead of the depreciation charge for the year. The error has been rectified in the current Financial Year 2022/2023.

Observations and Findings of the Committee

118. The Committee observed that:

- i. The management made an error in expensing additional costs on Property, Plant and Equipment and not Specialized Plant and Equipment in the Statement of Performance instead of the depreciation charge for the year.
- ii. The Management submitted that the error has been rectified in the financial year 2022/2023.
- iii. The matter remained unresolved.

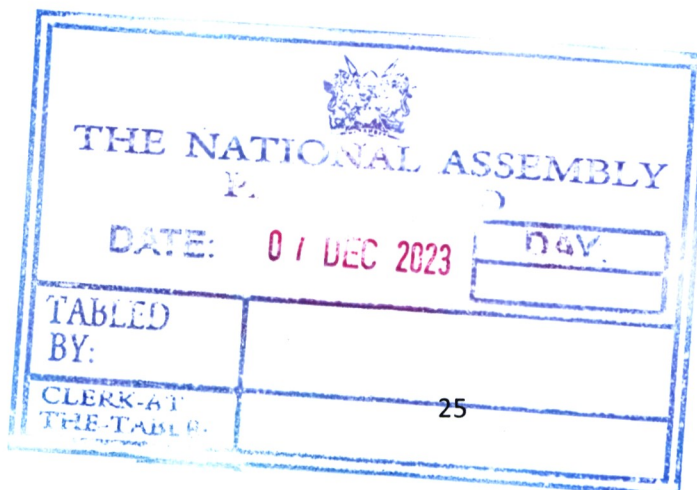
Recommendations of the Committee

119. The Committee recommends that:

- i. The Office of the Auditor-General to verify the adjusted financial statements during the audit cycle of 2022/2023 financial statements and
- ii. The Accounting Officer to always comply with Regulation 221 (2) of the Public Finance Management 2015 when preparing financial and non-financial statements and abide by the International Financial Reporting Standards as prescribed by the Public Sector Accounting Standard Board.

SIGNED  DATE.....

HON. DAWOOD ABDUL RAHIM, HSC, MP
(VICE CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE



THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE.





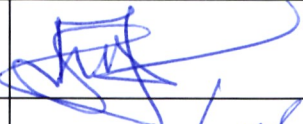
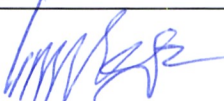


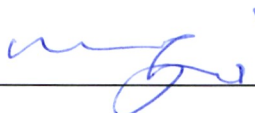

ADOPTION LIST FOR THE

AUDITED FINANCIAL STATEMENTS FOR

THE:

STORES AND SERVICES FUND

- 2020/2021 AND 2021/2022

| NO. | NAME | SIGNATURE |
|-----|--|---|
| 1. | Hon. Fatuma Zainab Mohammed, MP - Chairperson | |
| 2. | Hon. Dawood Abdul Rahim, HSC, MP – Vice-Chairperson |  |
| 3. | Hon. Charles Ngusya Nguna, MP |  |
| 4. | Hon. Dr. Christine Ombaka Oduor, MP | |
| 5. | Hon. Erastus Kivasu Nzioka, MP |  |
| 6. | Hon. Eve Akinyi Obara, MP |  |
| 7. | Hon. Faith Wairimu Gitau, MP | |
| 8. | Hon. Joseph Majimbo Kalasinga, MP |  |
| 9. | Hon. Tom Mboya Odege, MP |  |
| 10. | Hon. Catherine Nakhabi Omanyu, MP |  |
| 11. | Hon. Cecilia Asinyen Ngitit, MP |  |
| 12. | Hon. Erick Kahugu Mwangi MP |  |
| 13. | Hon. Joseph Kimutai Chererot, MP | |
| 14. | Hon. Joshua Odongo Oron, MP | |
| 15. | Hon. Paul Biego Kibichy, MP |  |

THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY










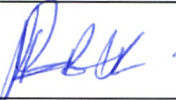
SPECIAL FUNDS ACCOUNTS COMMITTEE.

ADOPTION LIST FOR THE

AUDITED FINANCIAL STATEMENTS FOR

THE:

OCCUPATIONAL SAFETY AND HEALTH FUND - 2020/2021 AND 2021/2022

| NO. | NAME | SIGNATURE |
|-----|--|---|
| 1. | Hon. Fatuma Zainab Mohammed, MP - Chairperson | |
| 2. | Hon. Dawood Abdul Rahim, HSC, MP – Vice-Chairperson |  |
| 3. | Hon. Charles Ngusya Nguna, MP |  |
| 4. | Hon. Dr. Christine Ombaka Oduor, MP | |
| 5. | Hon. Erastus Kivasu Nzioka, MP |  |
| 6. | Hon. Eve Akinyi Obara, MP |  |
| 7. | Hon. Faith Wairimu Gitau, MP | |
| 8. | Hon. Joseph Majimbo Kalasinga, MP |  |
| 9. | Hon. Tom Mboya Odege, MP |  |
| 10. | Hon. Catherine Nakhabi Omanyu, MP |  |
| 11. | Hon. Cecilia Asinyen Ngitit, MP |  |
| 12. | Hon. Erick Kahugu Mwangi MP |  |
| 13. | Hon. Joseph Kimutai Cherorot, MP | |
| 14. | Hon. Joshua Odongo Oron, MP | |
| 15. | Hon. Paul Biego Kibichy, MP |  |

**MINUTES OF THE 45TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON THURSDAY, 17TH AUGUST 2023, IN COMMITTEE ROOM 7, MAIN
PARLIAMENT BUILDINGS, AT 09.30 AM.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Eve Akinyi Obara, MP
4. Hon. Catherine Nakhabi Omanyó, MP
5. Hon. Charles Ngusya Nguna, MP
6. Hon. Dr. Christine Ombaka Oduor, MP
7. Hon. Kahugu Erick Mwangi, MP

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Joshua Odongo Oron, MP
3. Hon. Joseph Majimbo Kalasinga
4. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
5. Hon. Joseph Kimutai Chererot, MP
6. Hon. Paul Kibichi Biego, MP
7. Hon. Tom Mboya Odege, MP
8. Hon. Cecilia Asinyen Ngitit, MP

IN ATTENDANCE

OFFICE OF THE AUDITOR - GENERAL

1. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer
2. Ms. Rosemary Koigi - Principal Auditor OAG
3. Mr. Manase Kuria - Deputy Director OAG

NATIONAL TREASURY

Mr. Simon K. Kiriiba - Parliamentary Liaison Officer

STORES AND SERVICES FUND.

1. Mr. Joel Arumonyang - PS Public Works
2. Mr. Joseph Bullut - Director, Head of Supplies Branch
3. Mr. Michael Ngolo - AAG
4. Mr. Samson Ongach - SDAG

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|------------------------|---|-----------------------------------|
| 1. Mr. Leonard Machira | - | Senior Clerk Assistant 1 |
| 2. Mr. Silvanus Makau | - | Clerk Assistant III |
| 3. Mr. Robert Ngetich | - | Fiscal Analyst II |
| 4. Ms. Bevaline Mosoti | - | Research Officer III |
| 5. Mr. Peter Mutethia | - | Audio Officer III |
| 6. Mr. Benard Omondi | - | Sargent at arms |
| 7. Ms. Maryan Gabow | - | Public Communications Officer III |

MIN. NA/AA&SC-SFAC/2023/140:

PRELIMINARIES

The Chairperson called the meeting to order at 09.45am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of Audited Financial Statements of the Stores and Services Fund for the Financial Years 2020/2021 and 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. Joel Arumonyang, the Principal Secretary, Stores and Services Fund, undertook the witness oath and tabled the management responses and supporting documents on the audited accounts of the Stores and Services Fund for the Financial Years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/141:

EXAMINATION OF AUDITED ACCOUNTS OF THE STORES AND SERVICES FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022.

Examination of Audited Accounts of the Stores and Services Fund for the Financial Year 2020/2021.

1. Lack of Underlying records and Approved Budget

- i. The Fund did not provide for audit review the underlying records used to prepare the financial statements through approved budget and trial balance.
- ii. The financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB).

Management Response

- i. The ledger and trial balance were provided for audit verification;
- ii. Supplies Branch Budget is in the state Department for Public Works head 001 Subhead, and
- iii. Supplies Branch, Treasury and Attorney General were drafting manuals and procedures to address the financial model of the Fund.

Committee Observations

- i. The Fund Operations were manual;
- ii. The issue of lack of trial balance was addressed, and
- iii. The issue of the approved budget and Statement of Comparison of budget and actual amount was not addressed.

2. Unsupported Revenue from Exchange Transactions

- i. The Fund Management did not provide the relevant supporting documents in support of the sale of goods of Kshs.112, 673.
- ii. There were no expenses to match the revenue as required by the matching concept.

Management Response

There were no expenses to match the revenue as required by the matching concept because the operational expenditure of the Supplies Branch was supported by the State Department budget.

The analysis of the sales was as follows:

| Date | Sales |
|--------------------|----------------|
| 15/10/20 | 37,035 |
| 29/3/21 | 68,064 |
| 27/4/21 | 46,574 |
| Total | |
| Less unpaid cheque | (39,000) |
| Reported sales | 112,673 |

Committee observation

The matter was resolved.

3. Receivables from Exchange Transactions.

- i. There is no provision for bad and doubtful debts in the financial statements for the receivables from exchange transactions balance of Kshs.1, 232,261 which has been outstanding for over three (3) years.
- ii. The Fund Management did not provide any documentation or information supporting this balance.

Management response

The management recommended the amount be written off.

Committee Observation

The matter was still pending since the unsupported receivables from exchange transactions had not been addressed.

4. Unsupported inventories.

No supporting documents, including stock take schedules for the inventory balance and stock ledgers, were provided for audit in support of the inventory balance of Kshs.197, 048,168 as at 30 June, 2021.

Management Response

The Accounting Officer informed the Committee that no comprehensive stock-taking had been done due to a lack of budget. Stocks were held in regional offices, i.e. Nakuru, Kisumu, Mombasa, Kisii, Kakamega, Nyeri.

Committee observations

- i. Some stocks in the warehouses were obsolete, and others needed to be disposed of.
- ii. The Fund relied on staff deployed from the Treasury; and
- iii. The matter was still pending since the Issue of Unsupported inventories had not been addressed.

5. Unsupported Suspense Account Balance

Supporting documents for the suspense account balance of Kshs.19,641,489 as at 30 June, 2021 were not provided for audit review.

Management Response

The suspense account balance of Kshs.19,641,489 was because of the difference in the books of accounts in the year 2018/2019, which was still appearing in the year 2019/2020.

The Accounting Officer stated management took corrective measures when an error was detected.

Committee Observation

The matter was still pending since the unsupported suspense account balance was not addressed.

6. Unsupported Payments Received in Advance

Documents in support of the payments received in advance of Kshs.57,166,713 by way of bank statements and/or a schedule indicating the dates of the deposits were not provided for audit review.

Management response

This figure was brought forward from the previous years, and not able to obtain the documents in support of the same on time.

Committee Observations

The matter was still pending since the Issue of unsupported payments received in advance had not been addressed.

7. Unsupported Bank Overdraft

As reported in the financial statement, there were borrowings - bank overdraft (CBK) balance of Kshs.283,595,154 as at 30 June, 2021 contrary to Section 83(3) of Public Finance Management (National Government) Regulations, 2015 which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year.

Further, the supporting documents for this balance were not provided for audit.

Management response

The statement of financial position for the financial year 2017/2018 reflected a borrowing bank overdraft (CBK) of Kshs 844,003,800 during the financial year 2018/2019, an amount of Kshs 560,408,645 was written off as per the Central Bank of Kenya letter dated 8th September 2008 attached, leaving a balance of Kshs. 283,595,154 as outstanding overdraft.

Committee Observation

The Committee observed that the matter was still pending since the Issue of unsupported bank overdraft had not been addressed.

8. Effectiveness of the Audit Committee

The Committee met only once, contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, which states that the audit committee shall meet at least once in every three months.

Management response

The five members of Audit were appointed to oversee the State Department of Infrastructure, Public Works and Transport and due to time and resource constraints, they could not check the Store Fund operations.

Committee Observations

The matter was not addressed since the Audit Committee met only once.

MIN. NA/AA&SC-SFAC/2023/142:

ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.50 p.m. The next meeting will be held on notice.

SIGNED.....*Fatuma*.....DATE.....*28/9/2023*.....

HON. FATUMA ZAINAB MOHAMMED, MP
(CHAIRPERSON)
SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE 70TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON FRIDAY, 1ST DECEMBER 2023, IN HILTON GARDEN INN, MACHAKOS
COUNTY AT 02.00 P.M.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyoo, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Joseph Kimutai Cherorot, MP
8. Hon. Cecilia Asinyen Ngigit, MP
9. Hon. Kahugu Erick Mwangi, MP
10. Hon. Paul Kibichi Biego, MP
11. Hon. Eve Akinyi Obara, MP
12. Hon. Joseph Majimbo Kalasinga, MP

APOLOGIES

1. Hon. Joshua Odongo Oron, MP
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Dr. Christine Ombaka Oduor, MP

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

THE NATIONAL TREASURY

1. Mr. Simon K. Kiriiba - DAG National Treasury

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Principal Clerk Assistant 1
2. Mr. Silvanus Makau - Clerk Assistant III
3. Ms. Comfort Achieng - Clerk Assistant III
4. Mr. Benard Omondi - Sargent at arms
5. Mr. Peter Mutethia - Audio Officer III
6. Mr. Robert Ng'etich - Fiscal Analyst
7. Ms. Bevaline Mosoti - Research Officer III
8. Ms. Maryam Gabow - Public Communications Officer III
9. Ms. Judith Kanyoko - Legal Counsel II

MIN. NA/AA&SC-SFAC/2023/004:

PRELIMINARIES

The Chairperson called the meeting to order at 02.15 p.m., followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Report writing on the following Funds;**
 - i. **Stores and Services Fund for the Financial years 2020/2021 and 2021/2022**
 - ii. **Occupational Safety and Health Fund for the Financial years 2020/2021 and 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

MIN. NA/AA&SC-SFAC/2023/005:

**ADOPTION OF THE AUDITED
REPORT OF THE STORES AND SERVICES FUND FOR THE FINANCIAL YEARS
2020/2021 AND 2021 /2022**

The committee unanimously adopted the report on the Stores and Services Fund for the financial years 2020/2021 and 2021/2022, incorporating the amendments made by members having been proposed by Hon. Joseph Kimutai Cherorot, MP and seconded by Hon. Charles Ngusya Nguna, MP

FINANCIAL YEAR 2020/2021

1) Lack of Underlying Records and Approved Budget

Observations and Findings of the Committee

The Committee observed that:

- i. The financial statements presented for audit did not include the statement of comparison of budget and actual amounts contrary to the reporting template issued by the Public Sector Accounting Standards Board (PSASB); and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- ii. The Accounting Officer to submit a revised statement of comparison of budget and actual amounts in compliance with the requirements of the Public Sector Accounting Standards Board (PSASB) guidelines to the Auditor -General within three months of the adoption of this report;
- iii. The Accounting Officer to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 68(1) and Section (2)(h) of the Public Finance Management Act, 2012 and Regulation 31(2) of Public Finance Management (National Government) Regulations, 2015;
- iv. The Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and the standards prescribed by the Public Sector Accounting Standards Board as per regulation 101(4) of the Public Finance Management (National Government) Regulations,2012.

2) Unsupported Revenue from Exchange Transactions

Observations and Findings of the Committee

The Committee observed that:

- i. There were no expenses to match the revenue as required by the matching concept because the operational expenditure of the Supplies Branch was supported by the State Department budget;
- ii. The figure of Kshs.112,673 reflected in the financial statements for the sale of goods was not supported by documentary evidence, and
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- i. Within three months of the adoption of this report, the Accounting Officer to submit documents to support the sales figure of Kshs.112,673 to the Auditor - General for audit verification; and
- ii. The Accounting Officer to ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and in

accordance with Regulation 64(6) of Public Finance Management (National Government) Regulations, 2015.

3) Receivables from Exchange Transactions

Observations and Findings of the Committee

The Committee observed that:

- i. The receivables from exchange transactions balance of Kshs.1,232,261 had been outstanding for more than three (3) years.
- ii. The Fund management did not provide any documentation or information supporting the balance.
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- i. Within three (3) months upon the adoption of this report, the Accounting Officer to submit the status report on the recoveries made to the Auditor General for audit verification and
- ii. The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015.

4) Unsupported Inventories Balance

Observations and Findings of the Committee

The Committee observed that:

- i. Management did not provide for audit the supporting documents, including stock take schedules and stock ledgers to support the inventories balance of Kshs.197,048,168, and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- i. Within three months (3) upon adoption of this report, the Accounting officer to provide the stock take schedules for the inventory balance as well as stock ledgers to the Auditors General for Audit verification
- ii. The Accounting Officer to ensure there are proper control systems to eliminate theft, losses, wastage, and misuse of the Fund's assets in compliance with Regulation 139 of the Public Finance Management (National Government) Regulations, 2012.

5) Trade and Other Payables from Exchange Transactions

i. Unsupported Suspense Account Balance

Observations and Findings of the Committee

The Committee observed that:

- ii. The supporting documents for the suspense account balance of Kshs.19,641,489 as at 30th June, 2021 were not provided for audit review; and
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- iv. Within three months of the adoption of this report, the accounting officer to reconcile and clear the outstanding amount of Kshs.19,641,489 appearing in the suspense account and to submit the supporting documents to the Auditor General for audit verification; and
- v. The Accounting Officers to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015, and Section 68 (1) of the Public Finance Management Act, 2012.

(i) Unsupported Payments Received in Advance

Observations and Findings of the Committee

The Committee observed that:

- vi. The documents in support of the payments received in advance of Kshs.57,166,713 by way of bank statements and/or a schedule indicating dates of the deposits were not provided for audit review; and
- vii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that

- viii. within three months upon the adoption of this report, the Accounting Officer to provide the supporting documents of the bank statements of the payments received in advance Kshs.57,166,713 and dates of deposits for audit verification.
- ix. The Accounting Officers to ensure the timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015, and Section 68 (1) of the Public Finance Management Act, 2012.

6) Unsupported Bank Overdraft

Observations and Findings of the Committee

The Committee observed that:

- i. The Management did not provide supporting documents for the borrowings-bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification in contravention of Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015 which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year; and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- i. Within three months upon the adoption of this report by the National Assembly, the Accounting Officer to provide supporting documents for the bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification.
- ii. The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015.

7) Effectiveness of the Audit Committee

Observations and Findings of the Committee.

The Committee observed that:

- i. The Audit Committee met only once, contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that the Accounting Officer to ensure compliance with Regulations 179 (1) of the Public Finance Management Regulation 2015 which requires that the Audit Committee meets at least once every three months.

FINANCIAL YEAR 2021/2022

1. Lack of Underlying Records and Approved Budget

Observations and Findings of the Committee

The Committee observed that:

- i. The financial statements presented for audit did not include the statement of comparison of budget and actual amounts as per the prescribed reporting template issued by the Public Sector Accounting Standards Board (PSASB), and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- ii. The Accounting Officer to submit a revised statement of comparison of budget and actual amounts are included in the financial statements in compliance with the requirements of the Public Sector Accounting Standards Board (PSASB) guidelines to the Auditor General within three months of the adoption of this report ; and
- iii. The Accounting Officer to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 68(1) and Section (2)(h) of the Public Finance Management Act, 2012 and Regulation 31(2) of Public Finance Management (National Government) Regulations, 2015.

2. Unsupported Receivables from Exchange Transactions

Observations and Findings of the Committee.

The Committee observed that:

- i. Management did not provide any documentation or information in support of Kshs. 1,232,261, which had been outstanding for more than four (4) years;
- ii. No provision for bad and doubtful debts was made regarding the amount.
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- i. Within three (3) Months upon the adoption of this report, the Accounting Officer to provide the required documents in support of Kshs. 1,232,261 to the Auditor for Audit verification.
- ii. The Accounting Officers to ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015;

3. Unsupported Inventories

Observations and Findings of the Committee.

The Committee observed that:

- i. Management did not provide the supporting documents including stock take schedules and stock ledgers to support the inventory balance of Kshs. 197,048,168
- ii. The inventory balance remained the same over the years without an explanation from the Management.
- iii. No comprehensive stock-taking had been done due to a lack of budget.
- iv. The Matter remained unresolved.

Recommendations of the Committee

The Committee recommended that:

- iv. Within three months the Accounting Officer to provide supporting documents including stock take schedules and stock ledgers to support the inventory balance of Kshs. 197,048,168 for audit verification.
- v. The Accounting Officer to ensure strict adherence to Section 160 (1) of the Public Procurement and Disposal Act, 2015 and submit a comprehensive stock take report to the Auditors for verification within three (3) Months upon adoption of this report by the National Assembly; and
- vi. The Accounting Officer must ensure proper control systems to eliminate theft, losses, wastage, and misuse of the Fund's assets in compliance with Regulation 139 of the Public Finance Management (National Government) Regulations, 2012.

4. Trade and Other Payables from Exchange Transactions

i. Unsupported Suspense Account Balance

Observations and Findings of the Committee.

The Committee observed that:

- i. Supporting documents for the suspense account balance of Kshs.19, 641,489 were not provided for audit.
- ii. The matter was not addressed.

Recommendations of the Committee

The Committee recommended that:

Within three months of the adoption of this report, the Accounting Officer to reconcile and clear the outstanding amount of Kshs.19,641,489 appearing in the suspense account and to submit the supporting documents to the Auditor General for audit verification.

ii Unsupported Payments Received in Advance

Observations and Findings of the Committee.

The Committee observed that:

- i. The documents in support of the payments received in advance balance of Kshs.57, 166,713 by way of bank statements or a schedule indicating dates of the deposits were not provided for audit review; and
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that within three (3) months upon adoption of this report, the Accounting Officer to provide the bank statements for payments received in advance of Kshs.57, 166,713 and dates of the deposits for audit verification.

5. Unsupported Bank Overdraft/ Long Term Portion of Borrowing

Observations and Findings of the Committee.

The Committee observed that:

- ii. Management did not provide for audit the supporting documents for the borrowings-bank overdraft (CBK) balance of Kshs.283, 595,154 in accordance with Regulation 83(3) of Public Finance Management (National Government) Regulations, 2015, which requires that a National Government overdraft at the Central Bank of Kenya shall be retired by the end of the financial year; and
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that within three months upon the adoption of this report, the Accounting Officer to provide supporting documents for the bank overdraft (CBK) balance of Kshs.283, 595,154 for audit verification.

6. Ineffective Audit Committee

Observations and Findings of the Committee

The Committee observed that:

- i. The Audit Committee of the State Department for Public Works met twice during the year under review contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015, which states that the audit committee shall meet at least once every three months.
- ii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommended that the Accounting Officer to ensure compliance with Regulations 179 (1) of the Public Finance Management Regulation 2015 which requires that the Audit Committee meets at least once every three months.

MIN. NA/AA&SC-SFAC/2023/006: ADOPTION OF THE AUDITED REPORTS OF THE OCCUPATIONAL SAFETY AND HEALTH FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

The committee unanimously adopted the report on the Occupational Safety and Health Fund for the financial years 2020/2021 and 2021/2022, incorporating the amendments made by members having been proposed by Hon. Joseph Kimutai Cherorot, MP and seconded by Hon. Paul Kibichi Biego, MP

FINANCIAL YEAR 2020/2021

1) Irregular Transfer of Appropriations-In-Aid

Findings and Observations of the Committee

The Committee observed that:

- i. During the year under review, the management did not transfer the excess AIA balance of Kshs.5,865,000 to the State Department for Labour, contrary to the Occupational Safety and Health Act, 2007;
- ii. In compliance with the recommendations provided by the Auditors regarding the stipulations of Regulation 43(c) of the Public Finance Management Act (National Government) Regulations, 2015, the Fund adhered to the law by transferring Kshs. 4, 909,600 in AIA to the State Department Headquarters in the subsequent fiscal year; and
- iii. The matter is resolved.

Recommendations of the Committee

The Committee recommended that the Accounting Officer to ensure that Regulation 43(c) of the Public Finance Management Act (National Government) Regulations, 2015 is always complied with when collecting and accounting for appropriation-in-aid.

2) Prior Year Audit Matters.

Findings and Observations of the Committee

The Committee observed that:

- i. The matter of the unconfirmed motor vehicles was addressed since the office of the Auditor General was involved in the confirmation of assets and confirmed the presence of the said vehicles;

- ii. The issue of unrecovered repairs and maintenance was addressed since the vehicles are shared between the Directorate and the State Department; hence the repairs were justifiable;
- iii. The management has initiated the automation of workplace registration;
- iv. The remained unresolved.

Recommendations of the Committee

The Committee recommended that within three months (3) upon adoption of this report by the National Assembly, the Accounting Officer to provide a progress report on the status of the automation of the register of workplaces in compliance with Section 31(1) (a) of the Audit Act, 2015.

3) Irregular Issue of Multiple Imprests

Findings and Observations of the Committee

The Committee observed that:

- i. The management issued imprests totalling Kshs.675 200 to officers who had not surrendered previous imprests in breach of Regulation 93(4) (b) of the Public Finance Management.
- ii. The imprest register had not been updated by the time of the audit period, but the surrender has since been verified by the Auditors and cleared.
- iii. The matter was resolved.

Recommendations of the Committee

The Committee recommended that the Accounting Officer to ensure that Regulation 93(4) (b) of the Public Finance Management Act (National Government) Regulations, 2015 is always complied with when issuing temporary imprests.

CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL FOR THE FINANCIAL YEAR 2021/2022

1) Long Outstanding Payables

Findings and Observations of the Committee

The Committee observed that:

- i. An amount of Kshs.300,000 and Kshs.381,213 in respect of audit fees and retention fees, respectively, remained outstanding for more than one year, contrary to Section 42 (1) (a) of the Public Finance Management Act 2015
- ii. The Audit fees and retention balance of Kshs.681,213 were settled and paid, and receipts were verified.
- iii. The matter is resolved

Recommendations of the Committee

The Committee recommended that the Accounting Officer to always ensure strict compliance with Section 42 (1) (a) of the Public Finance Management Act 2015, National Government regulations on debt service payments.

2) Variance in Comparative Balance-Specialized Plant and Equipment

Observations and Findings of the Committee

The Committee observed that:

- i. The management made an error in expensing additional costs on Property, Plant and Equipment and not Specialized Plant and Equipment in the Statement of Performance instead of the depreciation charge for the year.
- ii. The Management submitted that the error has been rectified in the financial year 2022/2023.
- iii. The matter remained unresolved.

Recommendations of the Committee

The Committee recommends that:

- i. The Office of the Auditor-General to verify the adjusted financial statements during the audit cycle of 2022/2023 financial statements and
- ii. The Accounting Officer to always comply with Regulation 221 (2) of the Public Finance Management 2015 when preparing financial and non-financial statements and abide by the International Financial Reporting Standards as prescribed by the Public Sector Accounting Standard Board.

MIN. NA/AA&SC-SFAC/2023/007:
NEXT MEETING

ADJOURNMENT / DATE OF

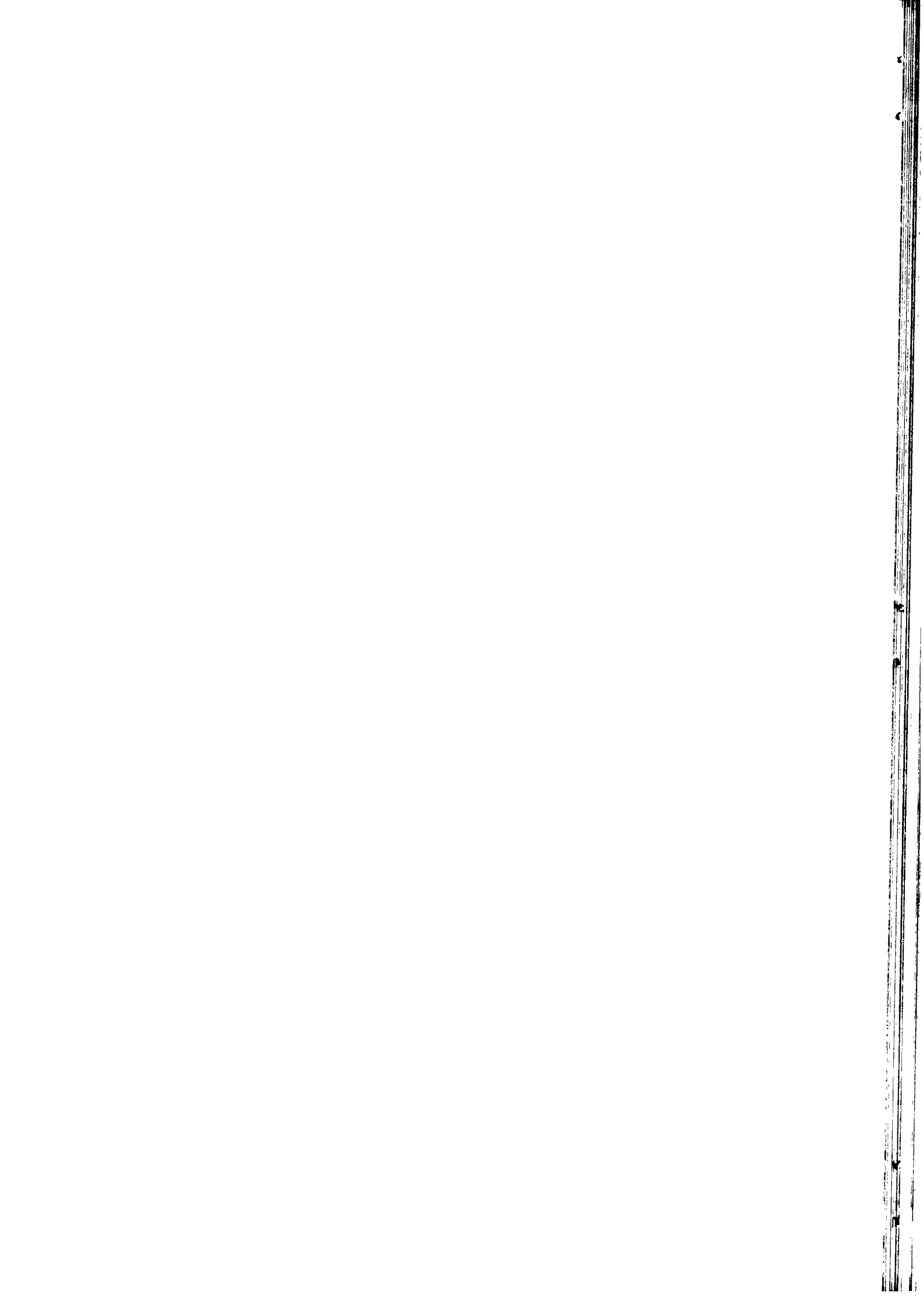
There being no other business, the Meeting was adjourned at 05:00 p.m. The next meeting to be held on 2nd December 2023 in Hilton Garden Inn at 09:00 am.

SIGNED.....*Fatima Zainab*.....*Chair*.....*Rahim*.....DATE.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE



**MINUTES OF THE 61ST SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON THURSDAY, 26TH OCTOBER 2023, IN THE PANARI HOTEL, MOMBASA
ROAD AT 09.30 A.M.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Eve Akinyi Obara, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Catherine Nakhabi Omanyoo, MP
6. Hon. Erastus Kivasu Nzioka, MP
7. Hon. Tom Mboya Odege, MP

APOLOGIES

1. Hon. Joshua Odongo Oron, MP
2. Hon. Cecilia Asinyen Ngigit, MP
3. Hon. Kahugu Erick Mwangi, MP
4. Hon. Joseph Kimutai Chererot, MP
5. Hon. Dr. Christine Ombaka Oduor, MP
6. Hon. Paul Kibichi Biego, MP
7. Hon. Faith Wairimu Gitau, MP
8. Hon. Joseph Majimbo Kalasinga, MP

STATE DEPARTMENT FOR LABOUR

1. Mr. Shadrack Mwadime - Principal Secretary
2. Dr. Musa Nyawausi - Secretary
3. Ms. Milly Akoth - DAG
4. Mr. Samwel Ayata - Personal Assistant to the Principal Secretary
5. Mr. Jones Nyakundi - SCMAI
6. Ms. Mercy Kigo - SPFO
7. Mr. Paul Abade - Principal Accountant

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

2. Mr Philip Cheboiwo - Director, Audit
3. Mr. David Osiero - Auditor/Parliamentary Liaison Officer
4. Mr. Samwel Nyamamba - Principal Auditor
5. Ms. Mary Mathew Mwinzi - Senior Audit
- 6.

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Principal Clerk Assistant II
2. Mr. Silvanus Makau - Clerk Assistant III
3. Mr. Robert Ngetich - Fiscal Analyst II
4. Ms. Pauline Sifuma - Hansard Reporter
5. Mr. Benard Omondi - Serjeant At Arms
6. Mr. Peter Mutethia - Audio Officer III

MIN. NA/AA&SC-SFAC/2023/011:

PRELIMINARIES

The Chairperson called the meeting to order at 09305 am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of reports of the Auditor General on Account of the Occupational Safety and Health Fund for the Financial Years 2020/2021 and 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. Shadrack Mwadime, Principal Secretary State Department for Labour and Social Protection, took the witness oath and tabled the management responses and supporting documents on the audited accounts of the Occupational Safety and Health Fund for Financial Years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/012: EXAMINATION OF REPORTS OF THE AUDITOR GENERAL ON ACCOUNT OF THE OCCUPATIONAL SAFETY AND HEALTH FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

Occupational Safety and Health Fund 2020/2021

1. Irregular Transfer of Appropriations-In-Aid

The management did not transfer the excess AIA balance of Kshs.5,865,000 to the State Department for Labour. Further, the Occupational Safety and Health Act, 2007 does not provide for transfer to the State Department of Appropriations -in-Aid collected by the Fund.

Submissions by the Accounting Officer

The Accounting Officer submitted that during the 2020/21 financial year, the collection of Kshs.5,865,000 as A-in-A was spent at source at the Directorate. However, following the advice of the Auditor-General in the subsequent financial year 2021/22, A-in-A collections amounting to Ksh4,909,600 were transferred to the State Department of Labor and spent from there.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was addressed.

2. Prior Year Audit Matters

Only one out of several issues were reported to have been resolved by the end of the year under review. No Explanation was provided for the delay in resolving the outstanding issues.

Submissions by the Accounting Officer

The Accounting Officer submitted that the prior year matters were addressed in the 2021/2022 Financial Year, and the status report was submitted to the Auditor-General for verification.

Findings and Observations of the Committee

The Auditor informed the Committee that:

- i. The matter regarding the unconfirmed motor vehicles was addressed;
- ii. The issue of the register of workplaces was still a work in progress; and
- iii. The issue of unrecovered repairs and maintenance was addressed.

3. Irregular Issue of Multiple Imprests

Examination of expenditure records indicated that new imprests totalling Kshs.675,200 were issued to Officers who had yet to surrender previous imprests. Consequently, Management was in breach of Regulation 92(4)(b) of the Public Finance Management Act (National Government) Regulations, which prohibits the issue of new imprest to persons that have yet to surrender previous ones.

Submissions by the Accounting Officer

The Accounting Officer submitted that the imprests were issued to officers who had surrendered, but the surrenders were still being processed. The imprest register had yet to be updated during the audit. The imprests were issued and surrendered after the 30th of June 2021 but not later than 7 days after returning to the station.

Observations of the Committee

The Auditor informed the Committee that the matter was addressed.

Financial Year 2021/2022

1. Long Outstanding Payables

Trade and other payables from the exchange balance of Kshs.681,213, which comprised Kshs.300,000 and Kshs.381,213 in respect of audit fees and retention fees, respectively, remained outstanding for more than one year, contrary to Section 42 (1) (a) of the Public Finance Management Act 2015, National Government Regulations.

Submissions by the Accounting Officer

The Accounting Officer submitted that during the audit exercise, trade, and other payables, including the balance of Kshs300,000 payable to the Office of the Auditor General (OAG) for audits conducted in 2018, 2019, 2020 and 2021, remained unpaid. This amount owed to the office of the Auditor General has since been settled.

Further, at the time of the audit, there were pending payments to the contractor whose retention was withheld pending performance verification as advised by the Department of Public Works. The management later released the retention to the contractor.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter was addressed.

2. Variance in Comparative Balance-Specialized Plant and Equipment

The statement of financial performance reflected the comparative amount concerning the purchase of specialized plant and equipment of Kshs.13,365,540. However, audited financial statements for the year ended 30 June 2021 did not reflect a amount relating to the purchase of specialized plant and equipment.

Submissions by the Accounting Officer

The Accounting Officer submitted that the Fund prepared the financial statement on an IPSAS Accrual Basis, not IPSAS Cash. There was an error in expensing additional costs on Property, Plant and Equipment. The management has since corrected the error in the current Financial Year 2022/2023.

Findings and Observations of the Committee

The Auditor informed the Committee that the matter remained pending until the Auditor General confirmed the corrections in the audit cycle for 2022/23.

MIN. NA/AA&SC-SFAC/2023/013:
NEXT MEETING

ADJOURNMENT / DATE OF

There being no other business, the meeting was adjourned at 11:30 a.m. The next meeting will be held on notice.

SIGNED  DATE.....


HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

