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7/12/23*

REPUBLIC OF KENYA


THIRTEENTH PARLIAMENT – SECOND SESSION

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THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

EIGHTH REPORT

ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEARS 2017/2018 TO 2021 /2022

 THE NATIONAL ASSEMBLY	
DATE: 07 DEC 2023	
DAY: Thursday	
TABLED BY:	Hon. Rahim Dawood, MP Vice-Chairperson
CLERK-AT THE TABLE:	Ar. Shibuska

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**

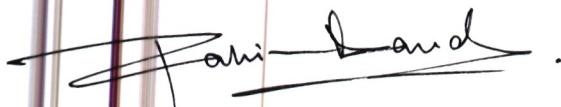
Hon. Speaker, on behalf of the Special Funds Accounts Committee and under Standing Order 199, it is my pleasant duty and honor to present to the House the report of the Committee on the audited financial statements for the Street Families Rehabilitation Trust Fund for the financial years 2017/2018 to 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 received oral and written submissions from Caroline Towett, the Chief Executive Officer for the Street Families Rehabilitation Trust Fund, which formed the basis of its observations, findings, and recommendations. These are also contained in the Minutes and Hansard Reports of Committee proceedings.

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, MP**  
**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:

- i) *Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee)*
- ii) *The Equalization Fund; \ The Equalization Fund Advisory Board;*
- iii) *The Political Parties Fund; and*
- iv) *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 <b>(Chairperson)</b>	Migori (CWR)	Independent
2	Hon. Dawood Abdul Rahim, HSC, MP <b>(Vice Chairperson)</b>	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 Ngigit, 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:

<b>S/N</b>	<b>NAME</b>	<b>DESIGNATION</b>
1	Mr. Leonard Machira	Principal Clerk Assistant 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 Sifuma	Hansard Officer III
9	Ms. Maryam Gabow	Public Communications Officer III
10	Mr. Peter Mutethia	Hansard Audio Officer III
11	Mr. Benard Omondi	Serjeant At Arms

## **2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

4. The Committee noted the following audit issues as cross-cutting on all the financial years examined.

### **a) Lack of Ownership Documents for Land**

5. The Committee observed that the Fund had various pieces of land which had no ownership documents as of 30 June, 2022. This included Kenya Pipeline Company Limited donated land, Mavoko Town land, and land informally allocated by the defunct Local Authorities in various counties.

6. The Committee further observed that:

- i) The lease in the name of the Trust Fund had been obtained however the Fund was yet to obtain the Title deed of land LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii) The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Trust Fund; and
- iii) The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund despite several attempts.

7. The Committee recommends that:

- i. The Accounting Officer continue pursuing the ownership documents for the Kenya Pipeline Company Limited (KPC) donated land LR No. 209/11325; and
- ii. Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.

### **b) Lack of Information Technology and Risk Management Policies and Data Recovery Strategy**

8. The Committee observed that:

- i) The Trust Fund's operations were anchored on the Policy for the mainstream State Department; and
- ii) The Fund was in the process of developing its own policies; and

9. The Committee recommends that within three months of the adoption of this report, the Accounting Officer submits a status report on the progress of the development of Data Recovery Strategy, Risk Management Policy, and Information Technology Policy to the office of the Auditor - General for audit verification.

**c) Weak Internal Controls**

10. The Committee observed that:

- i) The Fund did not have its own accounting unit and all its transactions were executed from the accounting unit in the State Department for Social Protection;
- ii) The Fund does not have its own staff but depends on seconded officers deployed from the State Department for Social Protection; and
- iii) The Trust Fund has however been granted an approved establishment by the Public Service Commission and the State Department for Social Protection, through the Ministry of Public Service and has advertised for positions of officers for the Trust Fund.

11. The Committee recommends that within three months of the adoption of this report, the Accounting Officer submits a status report on employment of the Trust Fund officers to the Auditor General for audit verification.

### **3.0 EXAMINATION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEAR 2017/2018 TO 2021/2022**

12. Caroline Towett, the Chief Executive Officer for Street Families Rehabilitation Trust Fund appeared before the Committee on Thursday 26<sup>th</sup> October 2023 to adduce evidence on the audited financial statements for the Street Families Rehabilitation Trust Fund for the Financial Years 2017/2018 to 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. John Kongoh   | - Accountant        |
| 2. Ms. Candita Njeri | - Programme Officer |

#### **3.1 Examination of the Report of the Auditor General for the Financial Year 2017/2018 Basis for Opinion- Disclaimer**

##### **1) Failure to Prepare Financial Statements for the Previous Years**

13. The Fund prepared its first financial statements ever for the year 2016/2017 only. Although it is evident that there were activities such as Board meetings held on April 2016 and cash transfer amounting to Kshs.230,000,000 to the Fund's bank account in the 2015/2016 financial year, no satisfactory explanation has been given for failure to prepare the financial statements for that year. Consequently, the closing balances for the year 2016/2017 could not be confirmed in the absence of previous years' financial statements.

##### **Submissions of the Accounting Officer**

14. The Accounting Officer submitted that prior to opening a separate bank account and operationalizing it, the Fund operated as a programme within the State Department for Devolution. The financial statements were consolidated with those of the State Department for Devolution until the 2016/2017 financial year, when the Fund was transferred to the State Department for Special Programmes. Therefore, the Fund did not have access to the financial statements for the year 2015-2016.

##### **Observations and Findings of the Committee**

15. The Committee observed that:
- (i) The Fund operated as a programme within the State Department for Devolution prior to 2016/17 and therefore the financial statements were consolidated with those of the State Department for Devolution; and
  - (ii) The matter is resolved.

## **2) Inaccuracies of Accounting Records**

16. The operating expenses of Kshs.14,933,782 as reflected on note 4 to the financial statements could not be verified as accurate as the amounts posted in the general ledger which has been used in the preparation of the financial statements differed with the supporting documents made available for audit examination.

### **Submissions of the Accounting Officer**

17. The Accounting officer submitted that the difference was because of clerical errors while capturing the payment vouchers in excel sheet since the report could not be directly generated from IFMIS. The figures have since been amended.

### **Observations and Findings of the Committee**

18. The Committee observed that:
- (i) The inaccuracies were as a result of clerical errors while capturing the payment vouchers in excel sheet and have since been corrected;
  - (ii) The matter is resolved.

### **Recommendations of the Committee**

19. **The Committee recommends that Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

## **3) Initial Capital Fund**

20. The Trust Deed indicates that the Fund was to have an initial capital fund of Kshs.5.05 million. This amount is not reflected in the financial statements for 2016/2017 and neither has any details been provided on whether the monies were paid to the Fund at the point of formation as expected and how it was accounted for. Therefore, the capital fund of the Trust Fund could not be confirmed as at 30 June 2018.

### **Submissions of the Accounting Officer**

21. The Accounting officer submitted that the first Board of Trustees proposed to have the stated initial capital fund of Ksh.5.05 million raised through Public Private Partnerships (PPP). This was however not achieved as endeavoured and thus there was no balance which was rolled to the next Board of Trustees which was appointed in the financial year 2015/2016.

## **Observations and Findings of the Committee**

22. The Committee observed that:

- i) No monies were paid to the Fund at the point of formation as initial Capital Fund.
- ii) The matter is resolved.

### **4) Unvalued and unsupported Land-Lack of Ownership Documents for Land**

23. Records maintained by the Street Families Rehabilitation Trust Fund (SFRTF) indicates that the Fund owns various pieces of land all of which had no ownership documents as of 30 June, 2018 as detailed below:

#### **4.1.1 LR No. 209/11325**

24. The land was donated and surrendered to the Fund by the Kenya Pipeline Company Limited (KPC) on 23 August 2007 vide a letter Ref. No. LE/LA/25/4 addressed to the Commissioner of Lands by the Managing Director of the Company. The title was surrendered to the Commissioner of Lands on 6 August 2007 for purposes of transferring and registering the property in the name of the Fund. However, ten years down the line, the transfer has never been affected.

#### **4.1.2 LR No. Mavoko Town Block 3/2545**

25. The Fund purchased the land measuring 8.090 hectares at a cost of Kshs.38 million on 6 December 2013. The original title was surrendered to the Ministry of Lands for subsequent transfer in the same month. However, up to date the said property has not been transferred to the Fund.

#### **4.1.3 Unidentified Land in Counties**

26. The Board of Trustees in the minutes dated 19 September 2016 indicated that the Fund had been allocated land in various counties by the defunct Local Authorities. The Fund is yet to identify where the pieces of land are located and obtain either the title deeds or any legal documents of allocation. There is real threat of loss of these properties if the Fund does not speed up the process of obtaining ownership documents. In view of the foregoing, the ownership, valuation and safety of the Trust Fund's parcels of land could not be ascertained as at 30 June 2018.

## **Submissions of the Accounting Officer**

### **4.1.1 LR No. 209/11325**

27. The Accounting Officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Fund and the Title deed was surrendered to the Commissioner of Lands for purposes of transferring it to the Fund. The Lease in the name of the Trust Fund has been obtained however the Trust Fund is yet to obtain the Title deed. The relevant documents indicating the progress of processing registration of the piece of land under the ownership of the Trust Fund was provided for review.

### **4.1.1 LR No. Mavoko Town Block 3/2545**

28. The Accounting officer submitted that Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town whose title deed has since been registered in the name of the Trust Fund.

### **4.1.3 Unidentified Land in Counties**

29. The Accounting Officer submitted that the Fund was informally allocated land by the defunct Local Authorities. However, it is important to note that only Embu, Murang'a and Laikipia counties had promised to allocate land to the Fund. Documents for the land informally allocated by the defunct Local Authorities of Embu, Murang'a and Laikipia were not acquired due to the failure of the local authorities to release them nor enter into any agreement with the Trust Fund despite several visits to their offices. During a Board meeting that was held on 24th February, 2022 it was resolved that the Trust Fund will not continue pursuing parcels of land that were informally promised by the defunct Local Authorities.

## **Observations and Findings of the Committee**

30. The Committee observed that:
- i) The Lease in the name of the Trust Fund has since been obtained however the Fund was yet to obtain the Title deed for LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
  - ii) The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Trust Fund;
  - iii) The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund despite several attempts; and
  - iv) The matter remained unresolved.

### **Recommendation of the Committee**

31. The Committee recommends that:

- i) **The Accounting Officer to continue pursuing the ownership documents for the Kenya Pipeline Company Limited (KPC) donated land LR No. 209/11325; and**
- ii) **Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.**

### **5) Transfers to Other Partner Institutions**

32. The transfers to other partner institutions balance of Kshs.273,709,276 as per the statement of receipts and payments for the year 2017/2018 had the following issues noted:

- a. The Board of Trustees approved an amount of Kshs.270,550,089 to be disbursed to partner institutions but amount disbursed as per the documentation provided for audit verifications total to Kshs.274,053,089 resulting in an excess payment of Kshs.3,503,000.
- b. The reported amount of Kshs.273,709,276 has an unexplained variance of Kshs.343,813 with the supported disbursements of Kshs.274,053,089.
- c. There was a double payment to one of the partner institutions amounting to Kshs.1,641,500. Even though the management indicated the amount to have been subsequently refunded, the refund could not be supported by corresponding entry in the bank statement.

33. Under the circumstances, the accuracy and completeness of the transfers to other partner institutions balance of Kshs.273,707,276 as at 30 June 2018 could not be confirmed.

### **Submissions of the Accounting Officer**

34. The Accounting officer submitted that Ksh 274,053,089 was disbursed to the partner institutions. The excess Kshs.3,503,000 was an overpayment to two partner institutions; St. Michael Rescue Centre that was overpaid by Kshs.1,821,000 and Little Angles that was overpaid by Ksh 1,861,500. The two institutions returned the excess money to the Trust Fund account as evidenced by the disbursement schedule and deposit slips which were provided for verification.

### **Observations and Findings of the Committee**

23. The Committee observed that

- i. There was an overpayment of Kshs.3,503,000 which was not well supported with relevant documentation.

- ii. There was an unexplained variance of Kshs. 343,813 between the reported amount of Kshs.273,709,276 and the supported disbursements of Kshs.274,053,089; and
- iii. The matter remained unresolved.

#### **Recommendation of the Committee**

##### **35. The Committee recommends that:**

- i. Within three months of the adoption of this report, the Accounting Officer to provide supporting documentation on the overpayment of Kshs.3,503,000 to the Auditor General for audit verification;
- ii. Within three months of the adoption of this report, the Accounting Officer to reconcile the variance of Kshs. 343,813 provide supporting documentation to the Auditor General for audit verification; and
- iii. The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

##### **6) Chairman's Honoraria**

36. Kshs.116,695,980 in respect of other grants transfers and payment which includes Kshs.540,000 in respect of payments for Chairman's honoraria. However, the amount excludes Kshs.180,000 relating to the period from April, 2018 to June, 2018 that was not included in the pending bills even though it was due and payable in the year under review. Consequently, the amount of the Chairman's Honoraria of Kshs.540,000 for the year under review as reported on note 4 of the financial statements is not fairly stated.

#### **Submissions of the Accounting Officer**

37. The Accounting officer submitted that the chairperson was paid for nine months. The Trust Fund had made a request in the month of April, 2018 for the chairman's honoraria for the months of July 2017 to March, 2018. However, the Fund did not proceed to raise another request for the next three months of April, May and June 2018. This was an oversight and the pending honoraria will be paid in the current financial year.

#### **Observations and Findings of the Committee**

##### **38. The Committee observed that:**

- i) The Chairman's honoraria amounting to Kshs.540,000 paid for 9 months instead of the whole year,
- ii) The Kshs.180,000 was not included in the pending bills although it was a payable.

iii) The matter remained unresolved.

**Recommendation of the Committee**

39. **The Committee recommends that within three months upon the adoption of this report the Accounting officer to pay the Chairman's honoraria of Kshs. 180,000 and submits supporting documentation to the Auditor General for audit verification.**

### **3.2 Examination of the Report of the Auditor General for the Financial Year 2019/2020**

#### **1) Lack of Ownership Documents**

40. The property, plant and equipment as at 30 June 2019 balance of Kshs.1,738,520 excludes the values of various parcels of land that have no ownership documents as indicated below:

##### **1.1. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

41. The Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23 August, 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Managing Director of the Company. The title was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund.

42. A review of the position in the month of March, 2020, twelve (12) years after the donation revealed that the transfer has not been affected and the land in Mukuru Kwa Njenga slums has since been encroached upon by members of the public.

##### **1.2 Parcels of Land in Embu, Murang'a and Laikipia**

43. Information available indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September, 2016. The Trust Fund is however, yet to identify where the pieces of land are located or to obtain either title deeds or any legal or formal documents of allocation. In addition, Management has not demonstrated any efforts put in place to acquire ownership documents.

##### **1.3. LR. NO. Mavoko Town Block 312545**

44. As was reported in the previous year, the Trust Fund purchased land measuring 8.090 hectares in Mavoko Town at a cost of Kshs.38 million on 6 December, 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit, in the month of March, 2020, revealed that the said property had not been transferred to the Trust Fund and no further information was available for audit verification.

45. In the circumstances, it has not been possible to confirm the completeness and accuracy of the property, plant and equipment balance of Kshs.1,738,520 reflected in the statement of financial position as at 30 June, 2019.

#### **Submissions of the Accounting Officer**

46. The Accounting officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Fund and the title deed was surrendered to the Commissioner of Lands on 6th August 2007 for purposes of transferring it to the Fund. The Lease in the name

of the Trust Fund has been obtained but The Fund is yet to finalize the process of acquiring its title deed due to the current digitization of title deeds at the Ministry of Lands.

47. Accounting Officer also submitted that the Fund wrote to all Governors requesting for land to set up street families rehabilitation centres as formally agreed by the then defunct local authorities. However, only Embu, Murang'a and Laikipia counties responded and promised to allocate land to the Fund but later follow up visits of the same did not materialize. During a Board meeting that was held on 24th February, 2022 it was resolved that the Trust Fund will not continue pursuing parcels of land that were informally promised.
48. Accounting officer further submitted that Fund purchased land Ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of kshs.38 million whose title deed has since been registered in the name of the Trust Fund.

#### **Observations and Findings of the Committee**

##### **49. The Committee observed that;**

- i. The Lease in the name of the Fund had been obtained however the Fund was yet to obtain the Title deed of land LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund despite several attempts; and
- iv. The matter remained unresolved.

#### **Recommendation of the Committee**

##### **50. The Committee recommends that:**

- iii) **The Accounting Officer to continue pursuing the ownership documents for the Kenya Pipeline Company Limited (KPC) donated land LR No. 209/11325; and**
- iv) **Within three months of the adoption of this Report the Accounting Officer to provide a status report to the Office of the Auditor- General for audit verification.**

#### **2) Budget Control and Performance**

51. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.244,358,492 and Kshs.153,000,000 respectively, resulting to an over-funding by Kshs.91,358,492 or 37% of the budget. Similarly, the Trust Fund expended Kshs.147,104,302 against an approved budget of Kshs.244,358,492 resulting to an under-expenditure of Kshs.97,254,190 or 40% of the budget. In the circumstances, the Trust

Fund's objective of spearheading National Government response to restore dignity to street families and the strategic goal of safeguarding and promoting the rights of street families and addressing the concerns of all homeless, destitute, and vulnerable people in urban areas, may not have been achieved as planned.

#### **Submissions of the Accounting Officer**

52. The Accounting Officer submitted Executive Order No. 1 of June 2018 (Revised) transferred the Trust Fund from the State Department for Correctional Services to the State Department for Social Protection. However, the Fund did not access its budgetary allocation of Ksh.249, 345,400 for the financial year 2018/19 due to delays in effecting the budgetary transfer until March 2019. This caused delay in implementation of the planned activities for the financial year thus causing the under expenditure of Kshs.97, 254,190.

#### **Observations and Findings of the Committee**

53. The Committee observed that:

- i) The underperformance was caused by transitioning from the State Department for Correctional Services to the State Department for Social Protection which caused delay in implementation of the planned activities;
- ii) The planned activities had since been implemented; and
- iii) The matter is resolved.

#### **3) Lack of Information Technology and Risk Management Policies and Data Recovery Strategy**

54. A review of the internal controls at the Trust Fund revealed weaknesses that included the absence of documented Data Recovery Strategy, Risk Management Policy or an Information Technology Policy. There were no measures in place to counter risks. Thus, the Trust Fund is exposed to threats in terms of loss of strategic data and information regarding its operations, exposure to cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

#### **Submissions of the Accounting Officer**

55. The Accounting Officer submitted that it was true that the Trust Fund did not have its own Information Technology Policy, Risk Management Policy and Data Recovery Strategy. This is because the Trust Fund's operations were anchored on the Policy for the mainstream State Departments where it belonged. However, the Trust Fund has organized a consultative forum with the Ministry of ICT, ICTA and the State Department of Social Protection ICT Unit to design the above policies (See Annex 2.5). The output of the consultative forum will be an effective Information Technology, Risk Management Policy, and a data recovery strategy.

## **Observations and Findings of the Committee**

### **56. The Committee observed that:**

- iii) The Trust Fund's operations were anchored on the Policy for the mainstream State Department.
- iv) The Fund was in the process of developing its own policies; and
- v) The matter remained unresolved.

## **Recommendations of the Committee**

**57. The Committee recommends that within three months of the adoption of this report, the Accounting Officer submits a status report on the progress of the development of Data Recovery Strategy, Risk Management Policy and Information Technology Policy to the office of the Auditor - General for audit verification.**

### **4) Weak Internal Controls**

58. A review of internal controls at the Trust Fund revealed weaknesses that included lack of effective accounting function since all the accounting transactions are executed from the State Department for Social Protection. The Trust Fund also largely depends on the staff seconded from the State Department for Social Protection to discharge its mandate, which negatively affects its operations due to a lean staff establishment.

### **Submissions of the Accounting Officer**

59. The Accounting Officer submitted Fund does not have its own accounting unit and all its transactions are executed from the accounting unit in the State Department for Social Protection. However, the Fund has been granted an approved establishment by the Public Service Commission and the State Department for Social Protection, through the Ministry of Public Service advertised for the positions of officers in the Fund. The recruiting process was on – going.

## **Observations and Findings of the Committee**

### **60. The Committee observed that:**

- i. The Fund did not have its own accounting unit and all its transactions were executed from the accounting unit in the State Department;
- ii. The Fund does not have its own staff but depends on seconded officers deployed from the State Department for Social Protection;
- iii. The Fund has however been granted an approved establishment by the Public Service Commission and the State Department for Social Protection, through the Ministry of Public Service and has advertised for positions of officers for the Trust Fund; and
- iv. The matter remained unresolved.

#### **Recommendations of the Committee**

61. **The Committee recommends that within three months of the adoption of this report, the Accounting Officer submits a status report on recruitment of officers to serve in the Fund to the Auditor General for audit verification.**

#### **5) Lack of Assets Register**

62. During the year under review, the Trust Fund did not maintain assets register and the assets acquired in the financial year had not been tagged. From the foregoing, the ownership, valuation, and safety of the Trust Fund's assets could not be ascertained or confirmed.

#### **Submissions of the Accounting Officer**

63. The Accounting Officer submitted that the Fund did not maintain an asset register as it was relying on the procurement unit in the State Department for Social Protection for procurement services. However, the Fund has since tagged its assets and it has its own independent and updated assets register.

#### **Observations and Findings of the Committee**

64. **The Committee observed that;**

- i) The Trust Fund did not maintain an asset register as it was relying on procurement unit at the State Department for their procurement services;
- ii) The Fund has since developed its own assets register and tagged its assets;
- iii) The matter is resolved.

#### **Recommendations of the Committee**

65. **The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

### **3.3 Examination of the Report of the Auditor General for the Financial Year 2019/2020.**

#### **1. Property, Plant and Equipment**

##### **1.1 Land LR No.209/11325 at Mukuru Kwa Njenga Slum**

66. As previously reported, the Kenya Pipeline Company (KPC) donated and surrendered to the Trust Fund a parcel of land L.R No.209/11325 on 23 August, 2007. The title deed was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund. However, review of the matter during the month of January, 2021, thirteen (13) years after the donation, revealed that the transfer has not been affected and the land in Mukuru Kwa Njenga slum has since been encroached upon by members of the public.

##### **1.2 Parcels of Land in Embu, Murang'a and Laikipia**

67. Information available indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September, 2016. The Trust Fund is however, yet to identify where the parcels of land are located or to obtain title deeds or any legal or formal documents of allocation. In addition, Management has not demonstrated any efforts put in place to acquire ownership documents.

##### **1.3. LR. NO. Mavoko Town Block 3/2545**

68. As was reported in the previous year, the Trust Fund purchased land measuring 8.09 hectares in Mavoko Town at a cost of Kshs.38 Million on 6 December, 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit, in the month of January, 2021, revealed that the said property had not been transferred to the Trust Fund.

##### **Submissions of the Accounting Officer**

69. Accounting Officer submitted the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Fund and the title deed was surrendered to the Commissioner of Lands on 6th August 2007 for purposes of transferring it to the Fund. The Lease in the name of the Fund has been obtained but The Fund is yet to finalize the process of acquiring its title deed due to the current digitization of title deeds at the Ministry of Lands.
70. Accounting Officer further submitted that the defunct Local Authorities of Embu, Murang'a and Laikipia had informally promised to allocate land to the Trust Fund as captured in the minutes of 19th September 2016. However, follow up efforts on the same did not materialize as the local authorities failed to release the said parcels of land nor enter into any agreement with the Fund despite several visits to their offices. During a Board meeting that was held on 24th February 2022 it was resolved that the Fund will not continue pursuing parcels of land that were informally promised.

71. Accounting officer also submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of kshs.38 million whose title deed has since been registered in the name of the Fund.

#### **Observations and Findings of the Committee**

72. The Committee observed that;

- i. The Lease in the name of the Fund has since been obtained however the Fund was yet to obtain the Title deed of land LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Fund despite several attempts;and
- iv. The matter remained unresolved.

#### **Recommendation of the Committee**

73. The Committee recommends that:

- i. **The Accounting Officer to continue pursuing the ownership documents for LR No. 209/11325 donated to the Fund by the Kenya Pipeline Company Limited (KPC); and**
- ii. **Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.**

#### **Other Matter**

#### **2. Budget Control and Performance**

74. The statement of comparative budget and actual amounts reflects budgeted and actual expenditure of Kshs.245,000,000 and Kshs.274,587,264 respectively resulting into an over expenditure of Kshs.29,587,264 or 12% which has not been explained in the notes to the financial statements.

#### **Submissions of the Accounting Officer**

75. The Accounting Officer submitted that the over-expenditure was occasioned by increased activities in the partner institutions. Such as the increased number of street families who were seeking rescue during the Covid -19 pandemic curfew. There was also increased activities to assess and respond to the situation of street families during the pandemic which had a negative toll on them. This was financed by the balance carried forward from previous financial years.

#### **Observations and Findings of the Committee**

76. The Committee observed that:

- i) The over-expenditure of Kshs.29,587,264 was occasioned by increased activities in Fund 's partner institutions such the increased number of street families who were seeking rescue during Covid – 19 curfew ;
- ii) The over-expenditure was financed by the balance carried forward from the previous financial years;
- iii) The management did not provide documentary evidence of the approval by the board to support the over-expenditure; and
- iv) The Matter remained unresolved.

#### **Recommendation of the Committee**

**77. The Committee recommends that within three months of the adoption of this report the Accounting Officer to provide documentary evidence of the approval by the board to support the over-expenditure of Kshs. 29,587,264 to the Auditor - General for audit verification.**

#### **3. Incomplete Assets Register**

78. Regulation 143 of the Public Finance Management (National Government) Regulations, 2015 requires an Accounting Officer to maintain a register of assets under his or her control or possession as prescribed by the relevant laws. However, the register of assets maintained by the Trust Fund did not include the date of purchase of some of the assets, the costs and the current location.

#### **Submissions of the Accounting Officer**

79. The Accounting Officer submitted that at the time of audit the asset register was not up to date as some assets had not been recorded. The register has since been updated and was provided for audit verification.

#### **Observations and Findings of the Committee**

**80. The Committee observed that:**

- i) The management had not updated the asset register was at the time of the audit as some assets had not been recorded, however it has since been updated; and
- ii) The matter is resolved.

#### **Recommendations of the Committee**

**81. The Committee recommends that:**

- (i) The accounting officer maintains a complete and updated asset register as per the requirement of Regulation 143 of the Public Finance Management (National Government) Regulations, 2015; and**
- (ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the**

**preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

#### **4. Lack of Information Technology Policy, Risk Management Policy, and Data Recovery Strategy**

82. A review of the internal controls at the Trust Fund revealed weaknesses that included the absence of documented Data Recovery Strategy, Risk Management Policy, or an Information Technology Policy. There were no measures in place to mitigate against risks. The Trust Fund is therefore exposed to threats in terms of loss of strategic data and information regarding its operations, exposure to cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

#### **Submissions of the Accounting Officer**

83. The Accounting Officer submitted that the Fund's operations were anchored on the Policy for the State Department for Social Protection. However, the Fund in consultation with the Ministry of ICT, ICTA and the State Department of Social Protection ICT Unit was in the process of designing the Data Recovery Strategy, Risk Management Policy and the Information Technology Policy. .

#### **Observations and Findings of the Committee**

84. The Committee observed that:

- i. The Fund had not developed its own Data Recovery Strategy, Risk Management Policy, and Information Technology Policy and relied on the policies for State Department for Social Protection;
- ii. The Fund was in the process of developing its own policies; and
- iii. The matter remained unresolved.

#### **Recommendations of the Committee**

85. **The Committee recommends that within three months of the adoption of this report, the Accounting Officer submits a status report on the progress of the development of a Data Recovery Strategy, a Risk Management Policy and an Information Technology Policy to the Auditor - General for audit verification.**

#### **5. Understatement of Directors' Expenses**

86. Audit review of available records revealed that the remuneration of Directors' amount was made up of Chairman's honoraria and Director's emoluments of Kshs.420,000 and Kshs.1,562,000 respectively. In addition, the verification of payment vouchers of the Fund revealed that accommodation allowances for the Board of Trustees totalling Kshs.8,607,400

should have been charged to remuneration of Directors expenses against a budget of Kshs.2,259,200 but were instead charged under employee's costs. However, no explanation was provided for this anomaly.

#### **Submissions of the Accounting Officer**

87. The Accounting Officer submitted that remuneration of directors' amount was made up of chairman's honoraria and directors emoluments. This is because during the itemization of the budget for the Fund, accommodation allowances for the board of directors was classified under employee cost where the travel, motor car, accommodation, subsistence, and other allowances fall under as per note (17) provided in the revised template for the year ended 30th June 2021. Therefore, the expenses in accommodation allowances rather than directors' emoluments.

#### **Observations and Findings of the Committee**

88. The Committee observed that:
- i. The capturing of Board of Directors Allowances was classified under the employee cost where the travel, motor car, accommodation, subsistence and other allowances fall under as per the revised template;
  - ii. The matter is resolved.

### **3.4 Examination of the Report of the Auditor General for the Financial Year 2020/2021.**

#### **1. Lack of Land Ownership Documents**

##### **1.1 Land Ref: LR No.209/11325 Donated by the Kenya Pipeline Company Ltd**

89. As previously reported, the Kenya Pipeline Company (KPC) donated and surrendered to the Trust Fund a parcel of land L.R No.209/11325 on 23 August, 2007. The title deed was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund. However, review of the matter during the month of January, 2021, thirteen (13) years after the donation, revealed that the transfer has not been affected and the land in Mukuru Kwa Njenga slum has since been encroached upon by members of the public.

##### **1.2 Parcels of Land in Embu, Murang'a and Laikipia**

90. Information available indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September, 2016. The Trust Fund is however, yet to identify where the parcels of land are located or to obtain title deeds or any legal or formal documents of allocation. In addition, Management has not demonstrated any efforts put in place to acquire ownership documents.

##### **1.3. LR. NO. Mavoko Town Block 3/2545**

91. As was reported in the previous year, the Trust Fund purchased land measuring 8.09 hectares in Mavoko Town at a cost of Kshs.38 million on 6 December, 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit, in the month of January, 2021, revealed that the said property had not been transferred to the Trust Fund.

#### **Submissions of the Accounting Officer**

92. The Accounting officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Fund and the title deed was surrendered to the Commissioner of lands on 6th August 2007 for purposes of transferring it to the Fund. The Lease in the name of the Trust Fund has been obtained but the Fund is yet to finalize the process of acquiring its title deed due to the current digitization of title deeds at the Ministry of Lands.
93. The Accounting Officer also submitted that the defunct Local Authorities of Embu, Murang'a and Laikipia had informally promised to allocate land to the Trust Fund. However, follow up efforts by the Fund on the same did not materialize as the local authorities failed to release the said parcels of land nor enter into any agreement with the Trust Fund despite several visits to their offices. The Board, in meeting held on 24th February, 2022, resolved that the Fund will not continue pursuing parcels of land that were informally promised.

94. The Accounting Officer further submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of kshs.38 million whose title deed has since been registered in the name of the Trust Fund.

#### **Observations and Findings of the Committee**

95. The Committee observed that;

- i. The Fund has since obtained the Lease for LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC, however the Fund was yet to obtain the Title deed of land
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure by the relevant County Government to release documents nor enter into any agreement with the Trust Fund;and
- iv. The matter remained unresolved.

#### **Recommendation of the Committee**

96. The Committee recommends that:

- i. **The Accounting Officer to continue pursuing the ownership documents for LR No. 209/11325 donated to the Fund by the Kenya Pipeline Company Limited (KPC) ; and**
- ii. **Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.**

#### **2. Accumulation of Idle Bank Balance**

97. As disclosed in Note 9 to the financial statements, the statement of financial position shows a cash and cash equivalents balance of Kshs.143,111,500 (2020 - Kshs.130,325,621) representing cash held in the Fund's bank account. Further, the statement of financial performance indicates that Government transfers totalled Kshs.5,535,642, being transfers to street families' homes against the total transfers to the Trust Fund of Kshs.147,000,000 through Exchequer releases during the year under review. In addition, available information revealed that the cash in the bank account did not earn any interest for over two years. In the circumstances, the intended beneficiaries, being the street families, may not have benefitted as expected from the idle cash in the bank.

#### **Submissions of the Accounting Officer**

98. The Accounting Officer submitted that the Fund had a bank balance of Kshs.143,111,500 at the end of 2020/2021 financial year and Kshs 130,325,621 in 2019/ 2020. This is because the Fund operates as a Semi-Autonomous Government Agency (SAGA) and the balances in the

bank account were not returned to exchequer account at the closure of financial years. The Fund tried to have its budget enhanced to absorb the unutilized fund and to accomplish unfinished activities. However, the efforts were not successful, but the Fund continued to pursue the authorization.

### **Observations and Findings of the Committee**

#### **99. The Committee observed that:**

- i. Kshs. 143,111,500 and Kshs 130,325,621 remained unutilized at the end of 2020/2021 and 2019/ 2020 financial years respectively; and
- ii. The matter remained unresolved.

### **Recommendations of the Committee**

100. **The Committee recommends that the Accounting Officer to prepare and submit an enhanced budget to the Board in the next budget cycle 2024/2025 to ensure full of utilization of Kshs. 143,111,500 and Kshs 130,325,621 in the bank**

### **3. Unresolved prior year matters**

101. In the audit of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resource, and Report on Effectiveness of Internal Control, Risk Management and Governance. Further, some of the prior year audit issues remained unresolved as at 30th June, 2021. However, the management had not resolved the issues or provided reasons for the delay in resolving prior year audit issues:
  - (i) The Trust Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has not been able to secure ownership documents under the name of the Fund. This is attributed to challenges experienced in processing the title deeds. However, efforts have been made and relevant documents indicating the progress are hereby attached.
  - (ii) The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Trust Fund. However, this informal allocation was not actualized before the dissolution of the Local Authorities, despite the efforts made by the Trust Fund to have the land formally released. Regular follow up made by the Trust Fund, the Embu County including drafting a memorandum of understanding to be signed between the two entities never materialized.
  - (iii) The Trust Fund purchased land ref. no. LR.No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town. The title deed has since been registered in the name of the Trust Fund.

### **Submissions by the Accounting Officer**

102. The Accounting Officer submitted that;
- (i) The Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has not been able to secure ownership documents under the name of the Fund. This is attributed to challenges experienced in processing the title deeds.
  - (ii) The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Fund. However, this informal allocation was not actualized before the dissolution of the Local Authorities, despite the efforts made by the Fund to have the land formally released.
  - (iv) The Trust Fund purchased land ref. no. LR.No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town. The title deed has since been registered in the name of the Trust Fund
103. On Compliance with Public Sector Accounting Standards Board Reporting template, the Accounting Officer submitted that the Fund has since prepared the financial statements in line with the template provided by the National Treasury.

### **Observations and Findings of the Committee**

104. The Committee observed that:
- (i) Prior-year audit issues remained unresolved at the end of the financial 2019/2020 against the requirement of Section 68(2)(I) of the Public Finance Management Act, 2012; and
  - (ii) The matter remained unresolved.

### **Recommendations of the Committee**

105. **The Committee recommends that: Within three months of the adoption of this report the Accounting Officer resolves the outstanding prior year audit issues as required by Section 68(2)(I) of the Public Finance Management Act, 2012 and Section 53(1) of the Public Audit Act, 2015 and submits a status report to the Auditor General for audit verification.**
- 4. Lack of Fraud Management Policy**
106. Available records revealed that during the year under review, the Fund Management did not put in place an institutionalized fraud management policy as expected. Consequently, there are no formal approved processes and guidelines on how to mitigate operational, legal, and financial frauds such as, identifying business frauds relevant to financial reporting objectives, estimating significance of the frauds, assessing the likelihood of their

occurrence and deciding about actions to be taken to address those frauds. In the circumstances, the resources of the Trust Fund are at risk of loss due to fraud.

#### **Submissions of the Accounting Officer**

107. The Accounting Officer submitted that the Fund did not have its own Fraud Management policy. The Fund operations were anchored on the Fraud Management Policy of the State Department for Social Protection. The Audit Committee of the Board has however initiated the process of developing the policy in consultation with the State Department for Social Protection Internal Audit Unit and a Draft fraud management policy is in place.

#### **Observations and Findings of the Committee**

108. **The Committee observed that:**

- i) The Fund does not have its own Fraud Management policy and relied on the policy of the State Department for Social Protection;
- ii) The Fund is in the process of developing a Fraud Management policy; and
- iii) The matter remained unresolved.

#### **Recommendations of the Committee**

109. **The Committee recommends that within three months of the adoption of this report, the accounting officer submits a status report on the development of a Fraud Management Policy to the Auditor - General for audit verification.**

### **3.5 Examination of the Report of the Auditor General for the Financial Year 2021/2022.**

#### **1. Lack of Land Ownership Documents**

##### **1.1 Land Ref: LR No.209/11325 Donated by the Kenya Pipeline Company Ltd**

110. As previously reported, the Kenya Pipeline Company (KPC) donated and surrendered to the Trust Fund a parcel of land L.R No.209/11325 on 23 August, 2007. The title deed was surrendered to the Commissioner of Lands on 6 August, 2007 for purposes of transferring and registering the property in the name of the Trust Fund. However, review of the matter during the month of January, 2021, thirteen (13) years after the donation, revealed that the transfer has not been affected and the land in Mukuru Kwa Njenga slum has since been encroached upon by members of the public.

##### **1.2 Parcels of Land in Embu, Murang'a and Laikipia**

111. Information available indicates that the defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September, 2016. The Trust Fund is however, yet to identify where the parcels of land are located or to obtain title deeds or any legal or formal documents of allocation. In addition, Management has not demonstrated any efforts put in place to acquire ownership documents.

##### **Submissions of the Accounting Officer**

112. The Accounting officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Fund and the title deed was surrendered to the Commissioner of Lands on 6th August 2007 for purposes of transferring it to the Fund. The Lease in the name of the Fund has been obtained but the Fund is yet to finalize the process of acquiring its title deed due to the current digitization of title deeds at the Ministry of Lands.
113. The Accounting officer further submitted that the defunct Local Authorities of Embu, Murang'a and Laikipia had informally showed willingness to allocate land to the Trust Fund as captured in the minutes of 19th September 2016. However, efforts made by the Fund to follow up on the same did not materialize as the local authorities failed to release the said parcels of land nor enter into any agreement with the Fund. Consequently, the Board, in a meeting held on 24th February, 2022, resolved that the Fund will not continue pursuing parcels of land that were informally promised.

## **Observations and Findings of the Committee**

114. The Committee observed that:

- i. The Lease in the name of the Fund for LR No. 209/11325, donated by the Kenya Pipeline Company Limited KPC had been obtained however the Fund was yet to obtain the Title deed ;
- ii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund; and
- iii. The matter remained unresolved.

## **Recommendation of the Committee**

115. The Committee recommends that:

- i. **The Accounting Officer to continue pursuing the ownership documents for land, LR No. 209/11325, donated to the Fund by the Kenya Pipeline Company Limited (KPC); and**
- ii. **Within three months of the adoption of this Report the Accounting Officer to provide a status report on the ownership documents for land, LR No. 209/11325, to the Auditor - General for audit verification.**

## **2. Unresolved Prior Year Matters**

116. In the Audit report of the previous year, several paragraphs were raised under the Report on Financial Statements. However, Management has not resolved the issues nor disclosed all the prior year matter as provided by the Public Sector Accounting Standards Board Templates.
117. The Trust Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has not been able to secure ownership documents under the name of the Fund. This is attributed to challenges experienced in processing the title deeds. However, efforts have been made and relevant documents indicating the progress provided.
118. The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Trust Fund. However, this informal allocation was not actualized before the dissolution of the Local Authorities, despite the efforts made by the Trust Fund to have the land formally released. Regular follow up made by the Trust Fund, the Embu County including drafting a memorandum of understanding to be signed between the two entities never materialized.
119. The Trust Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town whose title deed has since been registered in the name of the Trust Fund.

120. As previously indicated, the Trust Fund has submitted all the necessary documents and made statutory payments and various correspondences to the relevant offices in trying to secure and utilize the Mukuru Kwa Njenga parcel of land and it is still pursuing the process. Other audit issues have been adequately addressed and the Trust Fund is ready for verification.
121. Compliance with Public Sector Accounting Standards Board Reporting template – The Trust Fund prepared its financial statements in line with the template provided by the National Treasury.

#### **Submissions by the Accounting Officer**

122. The Accounting Officer submitted that;
- (i) The Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has not been able to secure ownership documents under the name of the Fund. This is attributed to challenges experienced in processing the title deeds.
  - (ii) The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Trust Fund. However, this informal allocation was not actualized before the dissolution of the Local Authorities, despite the efforts made by the Trust Fund to have the land formally released.
  - (iii) The Fund purchased land ref. no. LR.No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town. The title deed has since been registered in the name of the Trust Fund as evidenced in the attached document.
123. On Compliance with Public Sector Accounting Standards Board Reporting template the Accounting Officer submitted that the Fund has since prepared its financial statements in line with the template provided by the National Treasury.

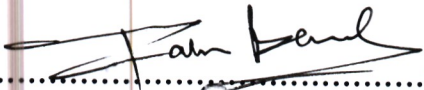
#### **Observations and Findings of the Committee**

124. The Committee observed that:
- ii. Prior-year audit issues remained unresolved at the end of the financial 2020/2021 against the requirement of Section 68(2)(I) of the Public Finance Management Act, 2012; and
  - iii. The matter remained unresolved.

#### **Recommendations of the Committee**

125. **The Committee recommends that: Within three months of the adoption of this report the Accounting Officer resolves the outstanding prior year audit issues as required by Section 68(2)(I) of the Public Finance Management Act, 2012 and Section 53(1) of the**

Public Audit Act, 2015 and submits a status report to the Auditor General for audit verification.

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.**




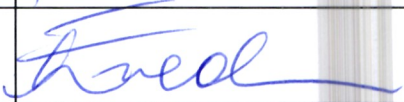
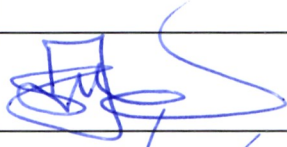
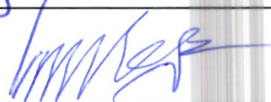
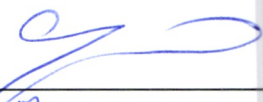



**ADOPTION LIST FOR THE**

**AUDITED FINANCIAL STATEMENTS FOR**

**THE:**

**STREET FAMILIES REHABILITATION TRUST FUND**

**- 2017/2018 TO 2021/2022**

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - <b>Chairperson</b>	
2.	Hon. Dawood Abdul Rahim, HSC, MP - <b>Vice-Chairperson</b>	
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 62<sup>ND</sup> SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE  
HELD ON THURSDAY, 26<sup>TH</sup> OCTOBER 2023, IN THE PANARI HOTEL, MOMBASA  
ROAD AT 11.30 A.M.**

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**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

**IN ATTENDANCE**

**OFFICE OF THE AUDITOR GENERAL**

1. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer
2. Mr. Samwel Nyamamba - Principal Auditor OAG
3. Ms. Mary Mathew Mwinzi - OAG SA
4. Mr. Cheboiwo Philip - Director of Audit OAG

**STREET FAMILIES REHABILITATION TRUST FUND**

1. Ms. Caroline Towet - Ag. Chief Executive Officer
2. Mr. John Kongoh - Accountant
3. Ms. Candita Njeri -

**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 III
5. Mr. Peter Mutethia - Audio Officer III
6. Mr. Benard Omondi - Serjeant At Arms

**MIN. NA/AA&SC-SFAC/2023/014:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 11:35 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 Street Families Rehabilitation Trust Fund for the Financial Years 2017/2018 to 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that Ms. Caroline Towet Ag. Chief Executive Officer, Street Families Rehabilitation Trust Fund 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 Year 2017/18 to 2021/2022.

**MIN. NA/AA&SC-SFAC/2023/015:**

**EXAMINATION OF REPORTS OF THE AUDITOR GENERAL ON ACCOUNT OF THE STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEARS 2017/2018 TO 2021/2022**

**STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEAR 2017/2018**

**1. Failure to Prepare Financial Statements for the Previous Years**

The Fund prepared its first financial statements for 2016/2017 only. Although it is evident that there were activities such as Board meetings held in April 2016 and cash transfer amounting to Kshs.230,000,000 to the Fund's bank account in the 2015/2016 financial year, no satisfactory explanation has been given for failure to prepare the financial statements for that year.

**Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund operated as a programme within the State Department for Devolution before opening a separate bank account and operationalising it. Its financial statements were consolidated with those of the State Department for Devolution until the

2016/2017 financial year when the Fund was transferred to the State Department for Special Programmes. The Fund does not have access to the financial statements for the year 2015-2016, as these can only be obtained from the State Department for Devolution.

#### **Observations of the Committee**

- i. The Auditor was requested to verify and confirm to the Committee in one week if the financial statements of the Fund were audited within the State Department of Devolution
- ii. The Auditor informed the Committee that the matter was still pending.

#### **2. Inaccuracies of Accounting Records**

The operating expenses of Kshs.14, 933,782, as reflected on note 4 to the financial statements, could not be verified as accurate as the amounts posted in the general ledger, which has been used in the preparation of the financial statements, differed from the supporting documents made available for audit examination as shown in the sample ledger.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the difference resulted from clerical errors while capturing the payment vouchers in an Excel sheet since the report could not be directly generated from IFMIS. The figures have since been corrected.

#### **Observations of the Committee**

The Auditor informed the Committee that the matter was resolved.

#### **3. Initial Capital Fund**

Trust Deed indicated that the Fund was to have an initial capital fund of Kshs.5.05 million. This amount was not reflected in the financial statements for 2016/2017. No details were provided on whether the monies were paid to the Fund at the formation point as expected and how it was accounted for.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the initial capital fund of Ksh.5.05 million was to be raised through Public Private Partnerships (PPP). However, this was not achieved, and thus, no balance was rolled to the next Board of Trustees appointed in the financial year 2015/2016.

#### **Observations of the Committee**

The Auditor informed the Committee that the matter was resolved

#### **4. Unvalued and unsupported Land**

#### **Lack of Ownership Documents for Land**

Records maintained by the Street Families Rehabilitation Trust Fund (SFRTF) indicated that the Fund owned various pieces of land all of which had no ownership documents as of 30 June, 2018 as detailed below:

**i. LR No. 209/11325**

The Kenya Pipeline Company Limited (KPC) donated and surrendered the land to the Fund on 23 August 2007 vide a letter Ref. No. LE/LA/25/4 addressed to the Commissioner of Lands by the Company's Managing Director. The title was surrendered to the Commissioner of Lands on 6 August 2007 for the purposes of transferring and registering the property in the name of the Fund. However, ten years down the line, the transfer has never been effected.

**Submissions by the Accounting Officer**

The Accounting Officer submitted that the lease in the name of the Fund had been obtained; however, it was yet to obtain the Title deed. The relevant documents indicating the progress of processing registration of the piece of land under the ownership of the Trust Fund were provided for verification.

**Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the processing of the title was incomplete.

**ii. LR No. Mavoko Town Block 3/2545**

The Fund purchased 8.090 hectares at a cost of Kshs.38 million on 6 December 2013. The original title was surrendered to the Ministry of Lands for subsequent transfer in the same month. However, up to date, the said property has yet to be transferred to the Fund.

**Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545, measuring 8.09 hectares and title deed has since been registered in the name of the Fund.

**Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the title deed had been acquired

**iii. Unidentified Land in Counties**

The Board of Trustees, in its minutes dated 19 September 2016, indicated that the Fund had been allocated land in various counties by the defunct Local Authorities. The Fund was yet to identify where the pieces of land are located and obtain either the title deeds or any legal allocation

documents. There was a real threat of loss of these properties if the Fund did not expedite the process of obtaining ownership documents.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the defunct Local Authorities of Embu, Murang'a, and Laikipia had promised to allocate land to the Fund. Documents for the land were not acquired due to the failure of the local authorities to release them nor enter into any agreement with the Trust Fund despite several visits to their offices. During a Board meeting held on 24th February 2022, the Board resolved that the Fund will not continue pursuing parcels of land that were informally promised

#### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since there were no official documents showing allotment of the parcels of land

The Committee requested the Accounting Officer to submit any correspondence on the matter to facilitate a recommendation by the Committee

#### **5. Transfers to Other Partner Institutions**

The transfers to other partner institutions' balance of Kshs.273,709,276, as per the statement of receipts and payments for the year 2017/2018, had the following issues noted:

- i. The Board of Trustees approved an amount of Kshs.270,550,089 to be disbursed to partner institutions but the amount disbursed as per the documentation provided for audit verifications total to Kshs.274,053,089 resulting in an excess payment of Kshs.3,503,000. ( No response provided )
- ii. The reported amount of Kshs.273,709,276 has an unexplained variance of Kshs.343,813 with the supported disbursements of Kshs.274,053,089.
- iii. A double payment to one of the partner institutions amounting to Kshs.1,641,500. Even though the management indicated the amount to have been subsequently refunded, the corresponding entry in the bank statement could not support the refund.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that Ksh.274,053,089 was disbursed to the partner institutions. The excess Kshs.3,503,000 was an overpayment to two partner institutions: St. Michael Rescue Centre, which was overpaid by Kshs.1,821,000, and Little Angles, which was overpaid by Ksh 1,861,500. The two institutions returned the excess money to the Fund.

The Accounting Officer informed the Committee that the management had written to the National Treasury to get a paper trail on the excess overpayments

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the excess overpayments and excess reimbursement were not adequately explained.

The Committee requested the Accounting Officer to within two weeks provide the details on the dates of sending the money to the agencies and when the same was returned to the Fund.

### **6. Chairman's Honoraria**

Kshs.116,695,980 for other grant transfers and payments, including Kshs.540,000 for the Chairman's honoraria payments. However, the amount excludes Kshs.180,000 relating to the period from April 2018 to June 2018, which was not included in the pending bills even though it was due and payable in the year under review.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the chairperson was paid only for nine months. The Trust Fund had requested in April 2018 for the chairman's honoraria for July 2017 to March 2018. However, the Fund did not proceed to raise another request for the next three months of April, May and June 2018. This was an oversight, and the Fund will ensure the pending honoraria were paid in the current financial year.

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was not addressed since the Kshs.180,000 was not included in the pending bills

## **FINANCIAL YEAR 2018/2019**

### **1. Lack of Ownership Documents**

The property, plant and equipment as at 30 June 2019 balance of Kshs.1,738,520 excludes the values of various parcels of land that have no ownership documents, as indicated below:

#### **i. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23 August 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Company's Managing Director. The title was surrendered to the Commissioner of Lands on 6 August 2007 to transfer and register the property in the name of the Trust Fund. A review of the position in March 2020, twelve (12) years after the donation, revealed that the transfer has not been affected, and the land in Mukuru Kwa Njenga slums has since been encroached upon by members of the public.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Street Families Rehabilitation Trust Fund, and the title deed was surrendered to the Commissioner of Lands on 6<sup>th</sup> August 2007 to transfer it to the Street Families Rehabilitation Trust Fund. The Lease in the name of the Trust Fund has been obtained, but the Fund has not finalized the process of acquiring the title deed due to the current digitization of title deeds at the Ministry of Lands.. The relevant documents indicating the progress were provided for verification.

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the processing of the title was incomplete

#### **ii. Parcels of Land in Embu, Murang'a and Laikipia**

The defunct Local Authorities of Embu, Murang'a and Laikipia informally allocated land to the Trust Fund, as captured in the Minutes dated 19 September 2016. However, The Trust Fund has yet to identify where the pieces of land are located or obtain either title deeds or legal or formal allocation documents. In addition, Management has yet to demonstrate any efforts put in place to acquire ownership documents.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund had formally written to all Governors requesting land to set up street families' rehabilitation centres. The then-defunct local authorities had informally shown a willingness to allocate land to the Trust Fund, as captured in the minutes of 19<sup>th</sup> September 2016. However, only Embu, Murang'a and Laikipia counties responded with promises to allocate land to the Fund, but later follow-up visits of the same did not materialize. During a Board meeting that was held on 24<sup>th</sup> February 2022, the Board resolved that the Trust Fund will not continue pursuing parcels of land that were informally promised

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since there were no Official documents showing allotment of the parcels of land.

The Committee requested the Accounting Officer submit correspondence to the matter within two weeks to facilitate the Committee's recommendations.

#### **iii.LR. NO. Mavoko Town Block 312545**

As was reported in the previous year, the Trust Fund purchased land measuring 8.090 hectares in Mavoko Town at a cost of Kshs.38 million on 6<sup>th</sup> December 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the

position during the audit in March 2020 revealed that the said property had yet to be transferred to the Trust Fund, and no further information was available for audit verification.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of Kshs.38 million. The title deed has since been registered in the name of the Fund, and a copy was provided for verification.

#### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the title deed had been acquired

### **2. Budget Control and Performance**

The statement of comparative budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs.244,358,492 and Kshs.153,000,000 respectively, resulting in an over-funding by Kshs.91,358,492 or 37% of the budget. Similarly, the Trust Fund expended Kshs.147,104,302 against an approved budget of Kshs.244,358,492, resulting in an under-expenditure of Kshs.97,254,190 or 40% of the budget.

#### **Submissions by the Accounting Officer**

The Accounting Officer admitted that the under-expenditure amounted to Kshs.97, 254,190. She explained that Executive Order No. 1 of June 2018 (Revised) transferred the Fund from the State Department for Correctional Services to the State Department for Social Protection. The Fund, however, never accessed its budgetary allocation of Ksh.249 345,400 for the financial year 2018/19 due to delays in effecting the budgetary transfer until March 2019. This delayed the implementation of the planned activities for the financial year, thus causing under-expenditure

#### **Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the movement from the State Department of Correctional Services was verified as a causative factor for the low absorption

### **3. Lack of Information Technology and Risk Management Policies and Data Recovery Strategy**

A review of the internal controls at the Trust Fund revealed weaknesses, including the absence of a documented Data Recovery Strategy, Risk Management Policy or an Information Technology Policy. There were no measures in place to counter risks. Thus, the Trust Fund is exposed to threats regarding loss of strategic data and information regarding its operations, exposure to cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund did not have its own Information Technology Policy, Risk Management Policy and Data Recovery Strategy. This is because the Trust Fund's operations were anchored on the Policy for the mainstream State Departments where it belonged. However, the Trust Fund has organized a consultative forum with the Ministry of ICT, ICTA and the State Department of Social Protection ICT Unit to design the above policies. The output of the consultative forum will be an effective Information Technology, Risk Management Policy and data recovery strategy.

#### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the development of the documents was a work in progress in the draft stage.

#### **4. Weak Internal Controls**

A review of internal controls at the Trust Fund revealed weaknesses that included a lack of effective accounting function since all the accounting transactions are executed by the State Department for Social Protection. The Trust Fund also largely depends on the staff seconded by the State Department for Social Protection to discharge its mandate, which negatively affects its operations due to a lean staff establishment.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund does not have an accounting unit, and all its transactions are executed from the accounting unit in the State Department. It is also true that the Trust Fund depends on officers deployed from the Ministry. However, the Public Service Commission has granted the Fund an approved establishment. As a result, through the Ministry of Public Service, the State Department for Social Protection advertised for positions of officers for the Fund. Additional officers shall be recruited to fill the remaining authorized posts.

#### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since understaffing was still an issue

#### **5. Lack of Assets Register**

During the year under review, the Trust Fund did not maintain assets register and the assets acquired in the financial year had yet to be tagged. From the foregoing, the ownership, valuation and safety of the Trust Fund's assets could not be ascertained or confirmed.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund did not maintain an asset register as it was relying on the procurement unit at the State Department for their procurement services; however, currently, the Fund has tagged its assets, and it has its own independent and updated assets register

### **Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the asset register was established.

## **STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEAR 2019/2020**

### **1. Property, Plant and Equipment**

The property, plant and equipment as at 30 June 2019 balance of Kshs.1,738,520 excludes the values of various parcels of land that have no ownership documents, as indicated below:

#### **i. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23 August 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Company's Managing Director. The title was surrendered to the Commissioner of Lands on 6 August 2007 to transfer and register the property in the name of the Trust Fund. A review of the position in March 2020, twelve (12) years after the donation, revealed that the transfer has not been affected, and the land in Mukuru Kwa Njenga slums has since been encroached upon by members of the public.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Street Families Rehabilitation Trust Fund, and the title deed was surrendered to the Commissioner of Lands on 6<sup>th</sup> August 2007 to transfer it to the Street Families Rehabilitation Trust Fund. The Lease in the name of the Trust Fund has been obtained. However, the Fund is yet to finalize the process of acquiring a title deed due to the current digitization of title deeds at the Ministry of Lands. Efforts have been made and relevant documents indicating the progress are hereby attached

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the processing of the title was incomplete

## **ii. Parcels of Land in Embu, Murang'a and Laikipia**

The defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally, as captured in the Minutes dated 19 September 2016. However, the Fund has yet to identify where the pieces of land are located or obtain either title deeds or legal or formal allocation documents. In addition, Management has yet to demonstrate any efforts put in place to acquire ownership documents.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund had formally written to all Governors requesting land to set up street families rehabilitation centres, and the then-defunct local authorities had informally shown a willingness to allocate land to the Trust Fund as captured in the minutes of 19<sup>th</sup> September 2016. However, it is important to note that only Embu, Murang'a and Laikipia counties responded with promises to allocate land to the Fund, but later follow-up visits of the same did not materialize. During a Board meeting that was held on 24th February 2022, the Board resolved not to continue pursuing parcels of land that were informally promised

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since there were no Official documents showing allotment of the parcels of land.

The Committee requested the Accounting Officer to submit correspondence on the matter within two weeks to facilitate the Committee's recommendations.

## **iii. LR. NO. Mavoko Town Block 312545**

As was reported in the previous year, the Trust Fund purchased land measuring 8.090 hectares in Mavoko Town at a cost of Kshs.38 million on 6 December 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit in March 2020 revealed that the said property had yet to be transferred to the Trust Fund, and no further information was available for audit verification.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of kshs.38 million, whose title deed has since been registered in the name of the Fund.

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the title deed had been acquired

## **2. Budget Control and Performance**

The statement of comparative budget and actual amounts reflects budgeted and actual expenditure of Kshs.245,000,000 and Kshs.274,587,264, respectively, resulting in an over-expenditure of Kshs.29,587,264 or 12%, which has not been explained in the notes to the financial statements.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the over-expenditure was occasioned by the increased activities made in partner institutions, whereby there was an increased number of street families seeking rescue during curfew times. There were also increased activities to assess and respond to the situation of street families during the COVID-19 pandemic, which had a negative toll on them. This was financed by the balance carried forward from previous financial years.

### **Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the Title deed had been acquired

The Accounting Officer was given two weeks to submit the approvals for the over-expenditure to the Auditors for verification

## **3. Incomplete Assets Register**

Regulation 143 of the Public Finance Management (National Government) Regulations, 2015, requires an Accounting Officer to maintain a register of assets under control or possession as prescribed by the relevant laws. However, the register of assets maintained by the Trust Fund did not include the date of purchase of some of the assets, the costs and the current location.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Assets register was not current during the audit, and some assets had yet to be recorded. The Assets Register has, however, been prepared and is up to date. The register is available for verification

### **Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the asset register was put in place

## **4. Lack of Information Technology Policy, Risk Management Policy and Data Recovery Strategy**

A review of the internal controls at the Trust Fund revealed weaknesses, including the absence of a documented Data Recovery Strategy, Risk Management Policy or Information Technology Policy. There were no measures in place to mitigate against risks. The Trust Fund was, therefore, exposed to threats in terms of loss of strategic data and information regarding its operations,

exposure to cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Trust Fund's operations are anchored on the State Department for Social Protection Policy. However, the Trust Fund has had a series of consultative forums with the Ministry of ICT, ICTA and the State Department of Social Protection ICT Unit to design the above policies. The output will be an effective Information Technology, Risk Management Policy and data recovery strategy.

#### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending

### **STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEAR 2020/2021**

#### **1. Understatement of Directors' Expenses**

The remuneration of the Directors amount was made up of the Chairman's honoraria and the Directors' emoluments of Kshs.420,000 and Kshs.1,562,000, respectively. In addition, the verification of payment vouchers of the Fund revealed that accommodation allowances for the Board of Trustees totalling Kshs.8,607,400 should have been charged to remuneration of Directors expenses against a budget of Kshs.2,259,200 but were instead charged under employee's costs. However, no explanation was provided for this anomaly.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the remuneration of directors' amount was made up of the chairman's honoraria and directors' emoluments. This is because, during the itemization of the budget for street families, the accommodation allowances for the board of directors were classified under the employee cost, where the travel, motor car, accommodation, subsistence and other allowances fall under as per note (17) provided in the revised template for the year ended 30<sup>th</sup> June 2021. This, therefore, necessitated the reason to capture the expenses in accommodation allowances rather than directors' emoluments.

#### **Observations of the Committee**

The Auditor informed the Committee that the matter was as the itemized budget was verified

## **2. Lack of Land Ownership Documents**

The property, plant and equipment as at 30 June 2019 balance of Kshs.1,738,520 excludes the values of various parcels of land that have no ownership documents, as indicated below:

### **i. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

The Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23rd August 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Company's Managing Director. The title was surrendered to the Commissioner of Lands on 6th August 2007 to transfer and register the property in the name of the Trust Fund. A review of the position in March 2020, twelve (12) years after the donation, revealed that the transfer has not been affected, and the land in Mukuru Kwa Njenga slums has since been encroached upon by members of the public.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Street Families Rehabilitation Trust Fund, and the title deed was surrendered to the Commissioner of Lands on 6<sup>th</sup> August 2007 to transfer it to the Street Families Rehabilitation Trust Fund. The Lease in the name of the Trust Fund has been obtained, but the Fund has yet to finalize the process of acquiring the title deed due to the current digitization of title deeds at the Ministry of Lands

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the processing of the title was incomplete

### **ii. Parcels of Land in Embu, Murang'a and Laikipia**

The defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally, as captured in the Minutes dated 19 September 2016. However, the Fund has yet to identify where the pieces of land are located or obtain either title deeds or legal or formal allocation documents. In addition, Management has yet to demonstrate any efforts put in place to acquire ownership documents.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund had formally written to all Governors requesting land to set up street families rehabilitation centres, and the then-defunct local authorities had informally shown a willingness to allocate land to the Trust Fund as captured in the minutes of 19<sup>th</sup> September 2016. However, it is important to note that only Embu, Murang'a and Laikipia counties responded with promises to allocate land to the Fund, but later follow-up visits of the same did not materialize. During a Board meeting that was held on 24th February 2022, the Board resolved not to continue pursuing parcels of land that were informally promised

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since there were no Official documents showing allotment of the parcels of land

#### **iii.LR. NO. Mavoko Town Block 312545**

As was reported in the previous year, the Trust Fund purchased land measuring 8.090 hectares in Mavoko Town at a cost of Kshs.38 million on 6 December 2013. The original title was surrendered to the Ministry of Land for subsequent transfer in the same month. A review of the position during the audit in March, 2020 revealed that the said property had yet to be transferred to the Trust Fund, and no further information was available for audit verification.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund purchased land ref. no. LR. No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town at a cost of kshs.38 million, whose title deed has since been registered in the name of the Fund, as evidenced in the attached document

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the Title deed had been acquired

### **3. Accumulation of Idle Bank Balance**

The statement of financial position shows a cash and cash equivalents balance of Kshs.143,111,500 (2020 - Kshs.130,325,621) representing cash held in the Fund's bank account. Further, the statement of financial performance indicates that Government transfers totalled Kshs.5,535,642, being transfers to street families' homes against the total transfers to the Trust Fund of Kshs.147,000,000 through Exchequer releases during the year under review. In addition, available information revealed that the cash in the bank account did not earn any interest for over two years.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that at the end of the 2020/2021 financial year, the Fund had a bank balance of Kshs.143,111,500 and Kshs 130,325,621 in 2020. This is because the Fund operates as a SAGA, and the balances in the bank account were not swept back to the exchequer account at the closure of the financial year. The Fund has been making efforts to have its budget beefed up to accomplish some of the unfinished programmes, yet efforts to upscale its budget have yet to be successful. Once the Fund beefs up its budget, it can be used for its Programme activities.

### **Findings and Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the funds were idle in the Bank Account for two years without earning any interest

The Accounting Officer was also requested to provide copies of letters requesting the utilization of the idle money in two weeks to the Auditors for verification

#### **4. Unresolved prior-year matters**

In the previous year's audit, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resource, and Report on Effectiveness of Internal Control, Risk Management and Governance. Further, some of the prior year audit issues remained unresolved as at 30<sup>th</sup> June, 2021. However, the management had not resolved the issues or provided reasons for the delay in resolving prior year audit issues.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted as follows:

- (i) The Trust Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has yet to be able to secure ownership documents under the name of the Fund. This is attributed to challenges experienced in processing the title deeds. However, efforts have been made and relevant documents indicating the progress are hereby attached
- (ii) The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Trust Fund. However, this informal allocation was not actualized before the Local Authorities' dissolution, despite the Trust Fund's efforts to have the land formally released. Regular follow up made by the Trust Fund the Embu County including drafting a memorandum of understanding to be signed between the two entities never materialized
- iii. The Trust Fund purchased land ref. no. LR.No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town. The title deed has since been registered in the name of the Trust Fund, as evidenced in the attached document
- iv. As previously indicated, the Trust Fund has submitted all the necessary documents and made statutory payments and correspondences to the relevant offices to secure and utilize the parcels of land, but the efforts have yet to materialize.
- v. The other audit issues have been adequately addressed.

**vi. Compliance with Public Sector Accounting Standards Board Reporting template** – The Trust Fund prepared its financial statements in line with the template provided by the National Treasury.

## **5. Lack of Fraud Management Policy**

Available records revealed that Fund Management did not implement an institutionalized fraud management policy during the year under review as expected. Consequently, there are no formal, approved processes and guidelines on how to mitigate operational, legal and financial frauds, such as identifying business frauds relevant to financial reporting objectives, estimating the significance of the frauds, assessing the likelihood of their occurrence and deciding about actions to be taken to address those frauds. In these circumstances, the resources of the Trust Fund are at risk of loss due to fraud.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund did not have a Fraud Management policy. The Trust Fund operations were anchored on the State Department for Social Protection Fraud Management Policy. However, the Audit Committee of the Board has initiated the process of developing the policy in consultation with the State Department for Social Protection.

### **Observations of the Committee**

The Auditor informed the Committee that the matter was addressed since the correspondence showing a series of consultative forums with the Ministry of ICT, ICTA and the State Department of Social Protection ICT unit to design the policies were verified

## **STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEAR 2021/2022**

### **1. Lack of Land Ownership Documents**

The property, plant and equipment as at 30 June 2019 balance of Kshs.1,738,520 excludes the values of various parcels of land that have no ownership documents, as indicated below:

#### **i. Land - LR No. 209/11325 at Mukuru Kwa Njenga Slum**

Kenya Pipeline Corporation (KPC) donated and surrendered to the Trust Fund a piece of land L.R No.209/11325 on 23 August 2007 vide a letter Ref. No. LE/LA/ 25/4 addressed to the Commissioner of Lands by the Company's Managing Director. The title was surrendered to the Commissioner of Lands on 6 August 2007 to transfer and register the property in the name of the Trust Fund. A review of the position in March 2020, twelve (12) years after the donation, revealed that the transfer has not been affected, and the land in Mukuru Kwa Njenga slums has since been encroached upon by members of the public.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Kenya Pipeline Company Limited KPC donated land LR No. 209/11325 to the Street Families Rehabilitation Trust Fund. The title deed was surrendered to the Commissioner of Lands on 6<sup>th</sup> August 2007 to transfer it to the Street Families Rehabilitation

Trust Fund. The Lease in the name of the Trust Fund has been obtained, but The Trust Fund is yet to finalize the process of acquiring its title deed due to the current digitization of title deeds at the Ministry of Lands. Efforts have been made and relevant documents indicating the progress are hereby attached

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since the processing of the title was incomplete

#### **ii. Parcels of Land in Embu, Murang'a and Laikipia**

The defunct Local Authorities of Embu, Murang'a and Laikipia allocated land to the Trust Fund informally as captured in the Minutes dated 19 September 2016. However, the Fund has yet to identify where the pieces of land are located or obtain either title deeds or legal or formal allocation documents. In addition, Management has yet to demonstrate any efforts put in place to acquire ownership documents.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted that the Fund had formally written to all Governors requesting land to set up street families rehabilitation centres, and the then-defunct local authorities had informally shown a willingness to allocate land to the Trust Fund as captured in the minutes of 19<sup>th</sup> September 2016. However, it is important to note that only Embu, Murang'a and Laikipia counties responded with promises to allocate land to the Fund, but later follow-up visits of the same did not materialize. During a Board meeting that was held on 24<sup>th</sup> February 2022, the Board resolved not to continue pursuing parcels of land that were informally promised

### **Observations of the Committee**

The Auditor informed the Committee that the matter was still pending since there were no Official documents showing allotment of the parcels of land

## **2. Unresolved prior-year matters**

In the previous year's audit, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. Further, some of the prior year audit issues remained unresolved as at 30<sup>th</sup> June, 2021. However, the management had not resolved the issues or provided reasons for the delay in resolving prior year audit issues.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted as follows:

- (i) The Fund was allocated land by Kenya Pipeline at Mukuru Kwa Njenga. However, the Trust Fund has yet to be able to secure ownership documents under the name of the Fund. This is

attributed to challenges experienced in processing the title deeds. However, efforts have been made and relevant documents indicating the progress are hereby attached

(ii) The defunct Local Authorities of Embu, Muranga and Laikipia informally promised to allocate land to the Trust Fund. However, this informal allocation was not actualized before the Local Authorities' dissolution, despite the Trust Fund's efforts to have the land formally released. Regular follow up made by the Trust Fund the Embu County including drafting a memorandum of understanding to be signed between the two entities never materialized

(iii) The Trust Fund purchased land ref. no. LR.No. Mavoko Town Block 3/2545 measuring 8.09 hectares in Mavoko Town. The title deed has since been registered in the name of the Trust Fund, as evidenced in the attached document

Land: As previously indicated, the Trust Fund has submitted all the necessary documents and made statutory payments and correspondences to the relevant offices to secure and utilize the parcels of land, but the efforts have yet to materialize.

Other audit issues have been adequately addressed, and the Trust Fund is ready for verification.

Compliance with Public Sector Accounting Standards Board Reporting template – The Trust Fund prepared its financial statements in line with the template provided by the National Treasury.

**MIN. NA/AA&SC-SFAC/2023/016:  
NEXT MEETING**

**ADJOURNMENT / DATE OF**

There being no other business, the Meeting was adjourned at 12:45 p.m. The next meeting is to be held on notice.

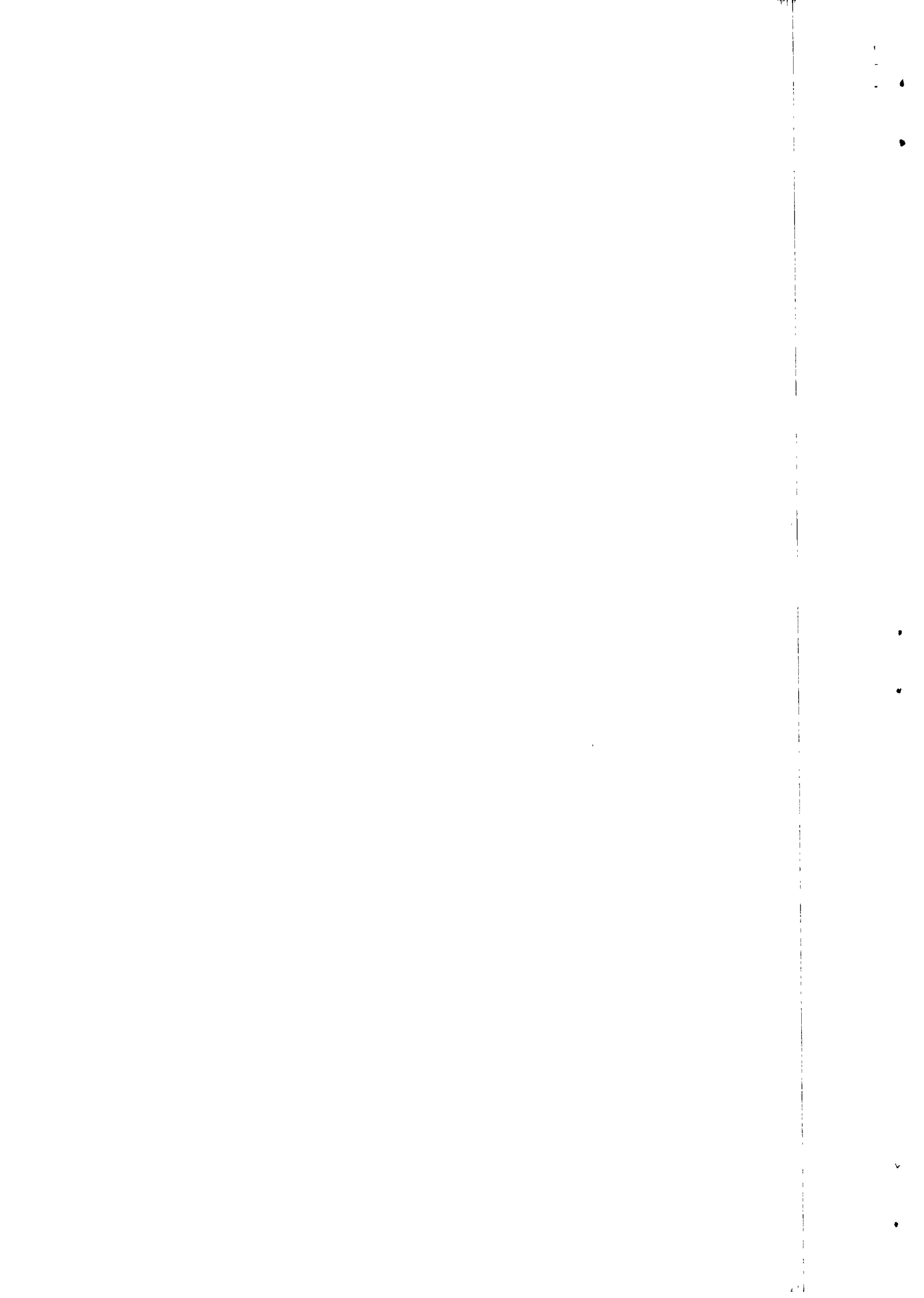
SIGNED..... DATE.....

*Fatima Zainab Mohammed*  
*Chairperson*

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE



**MINUTES OF THE 69<sup>TH</sup> SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE  
HELD ON FRIDAY, 1<sup>ST</sup> DECEMBER 2023, IN HILTON GARDEN INN, MACHAKOS  
COUNTY AT 09.00 A.M.**

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**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. Kalugu 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 Council II

**MIN. NA/AA&SC-SFAC/2023/001:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 09.35 a.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. **Street Families Rehabilitation Trust Fund for the Financial years 2017/2018 to 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

**MIN. NA/AA&SC-SFAC/2023/002:**

**ADOPTION OF THE AUDITED REPORTS OF THE STREET FAMILIES REHABILITATION TRUST FUND FOR THE FINANCIAL YEARS 2017/2018 TO 2021/2022**

*The committee unanimously adopted the report on the Street Families Rehabilitation Trust Fund for the financial years 2017/2018 to 2021/2022, incorporating the amendments made by members having been proposed by Hon. Tom Mboya Odege, MP and seconded by Hon. Charles Ngusya Nguna, MP*

**FINANCIAL YEAR 2017/2018**

**1) Failure to Prepare Financial Statements for the Previous Years**

**Observations and Findings of the Committee**

The Committee observed that:

- (i) The Fund operated as a program within the State Department for Devolution prior to 2016/17 and therefore the financial statements were consolidated with those of the State Department for Devolution; and
- (ii) The matter is resolved.

**2) Inaccuracies of Accounting Records**

**Observations and Findings of the Committee**

The Committee observed that:

- (i) The inaccuracies were as a result of clerical errors while capturing the payment vouchers in excel sheet and have since been corrected;
- (ii) The matter was resolved.

#### **Recommendations of the Committee:**

The Committee recommended that 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 Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

### **3) Initial Capital Fund**

#### **Observations and Findings of the Committee**

The Committee observed that:

- i) No monies were paid to the Fund at the point of formation as initial Capital Fund.
- ii) The matter was resolved.

### **4) Unvalued and unsupported Land-Lack of Ownership Documents for Land**

#### **Observations and Findings of the Committee**

The Committee observed that:

- i) The Lease in the name of the Trust Fund has since been obtained however the Fund was yet to obtain the Title deed for LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii) The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Trust Fund;
- iii) The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund despite several attempts; and
- iv) The matter remained unresolved.

#### **Recommendation of the Committee**

The Committee recommended that:

- i) The Fund continue pursuing the ownership documents for the Kenya Pipeline Company Limited (KPC) donated land LR No. 209/11325.

- ii) Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.

## **5) Transfers to Other Partner Institutions**

### **Observations and Findings of the Committee**

The Committee observed that

- i. There was an overpayment of Kshs.3,503,000 which was not well supported with relevant documentation.
- ii. There was an unexplained variance of Kshs. 343,813 between the reported amount of Kshs.273,709,276 and the supported disbursements of Kshs.274,053,089; and
- iii. The matter remained unresolved.

### **Recommendation of the Committee**

The Committee recommended that:

- i. Within three months of the adoption of this report, the Accounting Officer to provide supporting documentation on the overpayment of Kshs.3,503,000 to the Auditor General for audit verification;
- ii. Within three months of the adoption of this report, the Accounting Officer to reconcile the variance of Kshs. 343,813 provide supporting documentation to the Auditor General for audit verification; and
- iii. The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

## **6) Chairman's Honoraria**

### **Observations and Findings of the Committee**

**The Committee observed that;**

- i) The Chairman's honoraria amounting to Kshs.540,000 paid for 9 months instead of the whole year,
- ii) The Kshs.180,000 was not included in the pending bills although it was a payable.

- iii) The matter remained unresolved.

### **Recommendation of the Committee**

The Committee recommended that within three months upon the adoption of this report the Accounting officer to pay the Chairman's honoraria of Kshs. 180,000 and submits supporting documentation to the Auditor General for audit verification.

## **FINANCIAL YEAR 2018/2019**

### **1) Lack of Ownership Documents**

#### **Observations and Findings of the Committee**

##### **The Committee observed that;**

- i. The Lease in the name of the Fund had been obtained however the Fund was yet to obtain the Title deed of land LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund despite several attempts; and
- iv. The matter remained unresolved.

#### **Recommendation of the Committee**

##### **The Committee recommended that:**

- iii) The Accounting Officer to continue pursuing the ownership documents for the Kenya Pipeline Company Limited (KPC) donated land LR No. 209/11325; and
- iv) Within three months of the adoption of this Report the Accounting Officer to provide a status report to the Office of the Auditor- General for audit verification.

### **2) Budget Control and Performance**

#### **Observations and Findings of the Committee**

The Committee observed that:

- i) The underperformance was caused by transitioning from the State Department for Correctional Services to the State Department for Social Protection which caused delay in implementation of the planned activities;
- ii) The planned activities had since been implemented; and
- iii) The matter is resolved.

### **3) Lack of Information Technology and Risk Management Policies and Data Recovery Strategy**

#### **Observations and Findings of the Committee**

##### **The Committee observed that:**

- i) The Trust Fund's operations were anchored on the Policy for the mainstream State Department.
- ii) The Fund was in the process of developing its own policies; and
- iii) The matter remained unresolved.

#### **Recommendations of the Committee**

The Committee recommended that within three months of the adoption of this report, the Accounting Officer to submit a status report on the progress of the development of Data Recovery Strategy, Risk Management Policy and Information Technology Policy to the office of the Auditor-General for audit verification.

### **4) Weak Internal Controls**

#### **Observations and Findings of the Committee**

##### **The Committee observed that:**

- i. The Fund did not have its own accounting unit and all its transactions were executed from the accounting unit in the State Department;
- ii. The Fund does not have its own staff but depends on seconded officers deployed from the State Department for Social Protection;
- iii. The Fund has however been granted an approved establishment by the Public Service Commission and the State Department for Social Protection, through the Ministry of Public Service and has advertised for positions of officers for the Trust Fund; and
- iv. The matter remained unresolved.

### **Recommendations of the Committee**

The Committee recommended that within three months of the adoption of this report, the Accounting Officer to submit a status report on recruitment of officers to serve in the Fund to the Auditor General for audit verification.

### **5) Lack of Assets Register**

#### **Observations and Findings of the Committee**

##### **The Committee observed that;**

- i) The Trust Fund did not maintain an asset register as it was relying on procurement unit at the State Department for their procurement services;
- ii) The Fund has since developed its own assets register and tagged its assets;
- iii) The matter is resolved.

### **Recommendations of the Committee**

The Committee recommended that 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 Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 10(4) of the Public Finance Management (National Government) Regulations, 2015.

## **FINANCIAL YEAR 2019/2020.**

### **1. Property, Plant and Equipment**

#### **Observations and Findings of the Committee**

##### **The Committee observed that;**

- i. The Lease in the name of the Fund has since been obtained however the Fund was yet to obtain the Title deed of land LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC;
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Fund despite several attempts;and
- iv. The matter remained unresolved.

## **Recommendation of the Committee**

### **The Committee recommended that:**

- i. The Accounting Officer to continue pursuing the ownership documents for LR No. 209/11325 donated to the Fund by the Kenya Pipeline Company Limited (KPC); and
- ii. Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.

## **Other Matter**

### **2. Budget Control and Performance**

#### **Observations and Findings of the Committee**

The Committee observed that:

- i) The over-expenditure of Kshs.29,587,264 was occasioned by increased activities in Fund 's partner institutions such the increased number of street families who were seeking rescue during Covid – 19 curfew ;
- ii) The over-expenditure was financed by the balance carried forward from the previous financial years;
- iii) The management did not provide documentary evidence of the approval by the board to support the over-expenditure; and
- iv) The Matter remained unresolved.

## **Recommendation of the Committee**

The Committee recommended that within three months of the adoption of this report the Accounting Officer to provide documentary evidence of the approval by the board to support the over-expenditure of Kshs. 29,587,264 to the Auditor - General for audit verification.

### **3. Incomplete Assets Register**

#### **Observations and Findings of the Committee**

**The Committee observed that:**

- i) The management had not updated the asset register was at the time of the audit as some assets had not been recorded, however it has since been updated; and
- ii) The matter was resolved.

## **Recommendations of the Committee**

### **The Committee recommended that:**

- (i) The accounting officer maintains a complete and updated asset register as per the requirement of Regulation 143 of the Public Finance Management (National Government) Regulations, 2015; and
- (ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012, and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

#### **4. Lack of Information Technology Policy, Risk Management Policy, and Data Recovery Strategy**

##### **Observations and Findings of the Committee**

The Committee observed that:

- v. The Fund had not developed its own Data Recovery Strategy, Risk Management Policy, and Information Technology Policy and relied on the policies for State Department for Social Protection;
- vi. The Fund was in the process of developing its own policies; and
- vii. The matter remained unresolved.

##### **Recommendations of the Committee**

The Committee recommended that within three months of the adoption of this report, the Accounting Officer to submit a status report on the progress of the development of a Data Recovery Strategy, a Risk Management Policy and an Information Technology Policy to the Auditor - General for audit verification.

#### **5. Understatement of Directors' Expenses**

##### **Observations and Findings of the Committee**

The Committee observed that:

- i. The capturing of Board of Directors Allowances was classified under the employee cost where the travel, motor car, accommodation, subsistence and other allowances fall under as per the revised template;
- ii. The matter was resolved.

## **FINANCIAL YEAR 2020/2021.**

### **1) Lack of Land Ownership Documents**

#### **Observations and Findings of the Committee**

The Committee observed that;

- i. The Fund has since obtained the Lease for LR No. 209/11325 donated by the Kenya Pipeline Company Limited KPC, however the Fund was yet to obtain the Title deed of land
- ii. The title deed for Mavoko Town Block 3/2545 has since been registered in the name of the Fund;
- iii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure by the relevant County Government to release documents nor enter into any agreement with the Trust Fund;and
- iv. The matter remained unresolved.

#### **Recommendation of the Committee**

##### **The Committee recommended that:**

- i. The Accounting Officer to continue pursuing the ownership documents for LR No. 209/11325 donated to the Fund by the Kenya Pipeline Company Limited (KPC) ; and
- ii. Within three months of the adoption of this Report the Accounting officer to provide a status report to the Office of the Auditor General for audit verification.

### **2. Accumulation of Idle Bank Balance**

#### **Observations and Findings of the Committee**

##### **The Committee observed that:**

- i. Kshs. 143,111,500 and Kshs 130,325,621 remained unutilized at the end of 2020/2021 and 2019/ 2020 financial years respectively; and
- ii. The matter remained unresolved.

#### **Recommendations of the Committee**

The Committee recommended that the Accounting Officer to prepare and submit an enhanced budget to the Board in the next budget cycle 2024/2025 to ensure full of utilization of Kshs. 143,111,500 and Kshs 130,325,621 in the bank

### **3. Unresolved prior year matters**

#### **Observations and Findings of the Committee**

The Committee observed that:

- (i) Prior-year audit issues remained unresolved at the end of the financial 2019/2020 against the requirement of Section 68(2)(I) of the Public Finance Management Act, 2012; and
- (ii) The matter remained unresolved.

#### **Recommendations of the Committee**

The Committee recommended that, within three months of the adoption of this report the Accounting Officer to resolve the outstanding prior year audit issues as required by Section 68(2)(I) of the Public Finance Management Act, 2012 and Section 53(1) of the Public Audit Act, 2015 and submits a status report to the Auditor General for audit verification.

### **4. Lack of Fraud Management Policy**

#### **Observations and Findings of the Committee**

**The Committee observed that:**

- i) The Fund does not have its own Fraud Management policy and relied on the policy of the State Department for Social Protection;
- ii) The Fund is in the process of developing a Fraud Management policy; and
- iii) The matter remained unresolved.

#### **Recommendations of the Committee**

The Committee recommended that within three months of the adoption of this report, the accounting officer to submit a status report on the development of a Fraud Management Policy to the Auditor-General for audit verification.

## **FINANCIAL YEAR 2021/2022.**

### **1. Lack of Land Ownership Documents**

#### **Observations and Findings of the Committee**

2. The Committee observed that:

- i. The Lease in the name of the Fund for LR No. 209/11325, donated by the Kenya Pipeline Company Limited KPC had been obtained however the Fund was yet to obtain the Title deed ;
- ii. The Fund's Board resolved not to continue pursuing lands informally allocated by the defunct Local Authorities due to the failure to release documents nor enter into any agreement with the Trust Fund; and
- iii. The matter remained unresolved.

#### **Recommendation of the Committee**

**The Committee recommended that:**

- i. The Accounting Officer to continue pursuing the ownership documents for land, LR No. 209/11325, donated to the Fund by the Kenya Pipeline Company Limited (KPC); and
- ii. Within three months of the adoption of this Report the Accounting Officer to provide a status report on the ownership documents for land, LR No. 209/11325, to the Auditor - General for audit verification.

### **2. Unresolved Prior Year Matters**

#### **Observations and Findings of the Committee**

The Committee observed that:

- ii. Prior-year audit issues remained unresolved at the end of the financial 2020/2021 against the requirement of Section 68(2)(I) of the Public Finance Management Act, 2012; and
- iii. The matter remained unresolved.

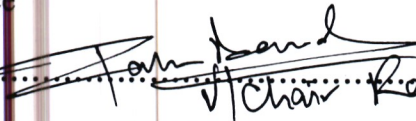
**Recommendations of the Committee**

The Committee recommended that within three months of the adoption of this report the Accounting Officer to resolve the outstanding prior year audit issues as required by Section 68(2) (I) of the Public Finance Management Act, 2012 and Section 53(1) of the Public Audit Act, 2015 and submits a status report to the Auditor General for audit verification.

**MIN. NA/AA&SC-SFAC/2023/003:  
NEXT MEETING**

**ADJOURNMENT / DATE OF**

There being no other business, the Meeting was adjourned at 12:50 p.m. The next meeting to be held on notice

SIGNED..........DATE.....  
*Fatuma Zainab Mohammed*

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

