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REPUBLIC OF KENYA


THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

REPORT

ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS FOR THE AGRICULTURAL FOOD AUTHORITY
CAR LOAN AND MORTGAGE SCHEME FUND, VETERINARY SERVICES
DEVELOPMENT FUND AND GOVERNMENT PRESS FUND FOR THE FINANCIAL
YEARS 2020/2021 AND 2021 /2022

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 AUG 2024	DAY: WEDNESDAY
TABLED BY:	HON. RAHIM BARWOO, MP VICE-CHAIR - SPECIAL FUNDS
CLERK AT THE TABLE:	ESTHER NG'WYO

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

August, 2024

Table of Contents

1.0 PREFACE.....	5
1.1 Establishment and Mandate of Special Funds Accounts Committee.....	5
1.2 Committee Membership	5
1.3 Committee Secretariat	6
2.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE AGRICULTURAL FOOD AUTHORITY'S CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022.....	7
2.1 Examination of the Auditor General Report for the Financial Year ended June 2022.	7
3.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE VETERINARY SERVICES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022	15
3.1 Examination of the Auditor General Report for the Financial Year ended June 2021	15
3.2 Examination of the Auditor General Report for the Financial Year ended June 2022.	18
4.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE GOVERNMENT PRESS FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022	21
4.1 Examination of the Auditor General Report for the Financial Year ended June 2021 ..	21
4.2 Examination of the Auditor General Report for the Financial Year ended June 2022. .	25

2022/2023

LIST OF ABBREVIATIONS AND ACRONYMS

AFA	-	Agricultural Food Authority
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
VSDF	-	Veterinary Service Development Fund

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Special Funds Accounts Committee and pursuant 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 Agricultural Food Authority Car loan and Mortgage Scheme Fund, Veterinary Service Development Fund and Government press Fund for 2020/2021 and 2021 /2022 financial years.

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 o 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 Ms. Grace Kyallo, Ag Director General Agricultural Food Authority, Mr. Jonathan Mueke, Principal Secretary State Department Livestock Development and Mr. Abdi Ali Hassan Government Printer, Government Press which formed the basis of its observations, findings, and recommendations.

Hon. Speaker, I wish to express appreciation to the Honorable 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. A. RAHIM LAWOOD - VICE CHAIR
HON. FATUMA ZAINAB MOHAMMED, M.P.
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;*
 - iii) *The Equalization Fund Advisory Board;*
 - iv) *The Political Parties Fund; and*
 - v) *Other funds as may be communicated by the Honorable Speaker*

1.2 Committee Membership

2. The Committee comprises the following members:

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

1.3 Committee Secretariat

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

S/N	NAME	DESIGNATION
1.	Mr. Erick Nyambati	Clerk Assistant I
2.	Ms. Comfort Achieng	Clerk Assistant III
3.	Mr. Nimrod Mate	Clerk Assistant III
4.	Mr. Robert Ngetich	Fiscal Analyst II
5.	Ms. Judith Kanyoko	Legal Counsel II
6.	Ms. Bevaline Mosoti	Research Officer III
7.	Mr. Derrick Kathurima	Media Relations Officer III
8.	Ms. Faith Muiya	Public Communications Officer III
9.	Mr. Peter Mutethia	Hansard Audio Officer III
10.	Mr. Joshua Lenambet	Serjeant At Arms

2.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE AGRICULTURAL FOOD AUTHORITY'S CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

4. Ms Grace Kyallo, Ag Director General, Agricultural Food Authority , appeared before the Committee on Thursday 15th February 2024 to adduce evidence on the audited financial Statements for the Agricultural Food Authority Car loan and Mortgage Scheme Fund for Financial Year 2021/2022. She was accompanied by:
1. Mr. Kibwana K. Mataka - Head, Human Resource Development.
 2. Mr. Elias Lavasu - Deputy Director, Finance.
 3. Mr. Johnson Agu - Human Resource Officer .
 4. Mr. Mark Owuor - Accountant

2.1 Examination of the Auditor General Report for the Financial Year ended June 2022.

1. UNSUPPORTED PRIOR YEAR ADJUSTMENTS

5. The statement of changes in net assets reflects prior year adjustments amount of Ksh 4,819,229 which Management has explained relates to overstated interest income in the prior year. However, no evidence was provided to support the overstatement that necessitated the adjustments. In the circumstances, the accuracy and completeness of the prior year adjustments amount of Kshs 4,819,229 could not be confirmed.

Submissions by the Accounting Officer

6. The Accounting officer submitted the Following
The amount of Kshs 4,819,229 related to interest accrued in the Authorities books. The amount had not been credited to the Authority's bank account as per the certificate of balance as at 30th June 2022 which indicated a nil interest earned. The overstated figure was reversed in the ledger to reflect the correct amount as per the statements provided by the bank. The amount had been accrued in the year 2020/2021.

Findings and Observations of the Committee.

7. The Committee observed the following
- i. The necessary documents were not provided to auditors in good time for verification which contravenes the PFM act 2012 section 62 (C).
 - ii. This matter remained unresolved.

Recommendations of the Committee

8. The Committee recommends that:
- i. Within three months upon adoption of this report ,the Accounting Officer must provide supporting information on the interest accrued totaling to Kshs 4,819,229 to the Auditor – General for verification;

- ii. The Accounting Officer must ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015; and
- iii. The Accounting Officer must 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.

2. UNSUPPORTED CASH AND CASH EQUIVALENTS BALANCE.

9. The statement of financial position reflects cash and cash equivalents balance totaling to Kshs. 431,352,188 which as disclosed in Note 8 to the financial statements comprises of Kshs. 301,471,327 in respect of mortgage account balance, Kshs 17,854,223 relating to personal loans and Kshs 112,026,638 in respect of car loan account. However, the balances were not supported with cashbooks. In addition, the car loan account balance was not supported with a bank reconciliation for the month of June 2022 and the certificate of bank balance reflects a balance of Kshs 50,000,000. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 431,352,188 as at 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

The Accounting officer submitted the Following

10. The Mortgage account was a deposit account and the bank balance of Kshs 301,471,327 had been supported by a reconciliation and the certificate of balance. The Authority had provided the two car loan bank statements. Statement for account no. 01098000544300 reflecting a balance of Kshs 95,190,000 and statement for account no. 0130003159927 reflecting a balance of Kshs 16,836,637 as at 30th June 2022, totaling to 112,026,638. The Bank reconciliations, cashbooks and statements were provided.

Findings and Observations of the Committee.

11. The Committee observed the following;
- i. The car loan Cash book and bank certificates totalling to Kshs 95,190,000 were not availed to auditors for verification.
 - ii. The annexure documents provided were not certified.
 - iii. The Matter remained unresolved.

Recommendations of the Committee

12. The Committee recommends that:

- i) Within three months upon adoption of this report, the Accounting Officer to provide the car loan Cash book and bank certificates totalling to Kshs 95,190,000 and certified annexures to the Auditor – General for verification;
- ii) The Accounting Officer must ensure timely submission of accounting documentation required for audit verification during the audit as per the provisions of Section 31(4) of the Public Audit Act, 2015; and
- iii) The Accounting Officer must 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. INACCURACIES IN THE STATEMENT OF CASHFLOWS

13. The statement of financial position reflects cash and cash equivalents as at 1 July, 2021 of Kshs 538,844,404. Review of records revealed that the Agriculture and Food Authority prior year audited financial statements reflected a staff mortgage fund balance of Kshs. 773, 035, 882, which is reflected as the opening balance of the mortgage and car loan fund in the Fund's statement of changes in net assets. The balance comprises of cash and cash equivalents and receivables from staff loan balance of Kshs. 383, 672, 548 and Kshs. 389, 363, 274 respectively.
14. However, the amount of Kshs. 538, 844, 404 reflected in the statement of Cash flows is at variance with opening cash and cash equivalents balance of Kshs. 383, 672, 548 resulting to unreconciled variance of Kshs. 155,171,856. Further, the cash flow statement excluded loan recoveries made during the year amounting to Kshs. 64, 665,923. In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

Submissions by the Accounting Officer

15. The Accounting Officer submitted the following;
The Authority did not prepare separate Car Loan & Mortgage statements in the financial year 2020-21. The same was incorporated in the Audited AFA 2020.21 financial statements which reflected in the fund balance of Kshs 773,035,882 as per the Statement of Financial Statements Note No. 21. As correctly observed by the auditors the figure of Kshs 538,844,404 was erroneous and the Authority had restated the amount in the 2022-23 financial statements to reflect the amount of Kshs 446,116,783 as per the Statement of Cash flows for the year under Note No 8.

Findings and Observations of the Committee

16. The Committee observed the following;

- i. There was an unexplained variance totalling to Kshs 155,171,836 that was not disclosed.
- ii. The cash flow statement excluded loan recoveries made during the year amounting to Kshs.64, 665,923.
- iii. The matter is unresolved.

Recommendations of the Committee

17. The Committee recommends that
 - Within three months upon adoption of this report the Accounting Officer must reconcile the unexplained variance totalling to Kshs 155,171,836 and provide supporting information to include the Auditor – General for verification;
 - i. The Accounting Officer must include loan recoveries made during the year amounting to Kshs.64, 665,923 in the cash flow statement and must provide supporting information to include the Auditor – General for verification;
 - ii. The Accounting Officer must 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.

4. REVENUE FROM EXCHANGE TRANSACTIONS.

18. The statement of financial performance reflects interest income from staff mortgage and car loan of Kshs.4, 844,199 and as disclosed in Note 6 to the financial statements. Included in this balance is an amount of Kshs.899,791 in respect of interest on personal loans which is at variance with the balances reflected in the certificates of balances for the personal loans account totaling to Kshs. 5,143,388. The resultant difference of Kshs.4, 243,597 has not been explained.
19. Further, the amount of Kshs.5, 143,388 has been reflected as a receivable in the statement of financial position instead of being reflected as revenue for the year. Although Management has explained that the personal loan accounts and car loan Funds are not revolving funds and that the interest income relates to previous years, no evidence was provided to confirm that the income was recognized in the previous years. In the circumstances, the accuracy and completeness of interest on personal loans of Kshs.899, 791 for the year ended 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

20. The Committee submitted the following;

The Kshs 5,143,388 was accrued interest as at 30th June 2022. The Kshs 4,243,597 was accrued interest as at 30th June 2021. The difference of Kshs 899,791 is the interest earned for the year 1st July 2021 to 30th June 2022. This was specific to personal Loans component only. The previous year's accrued interest of Kshs 4,243,597 had been recognized in the books. Below is the analysis

JOURNAL ENTRY NO.	DATE	AMOUNT
76148	30 th June 2020	2,000,000.00
83516	30 th June 2021	190,467.77
9745	30 th June 2021	2,053,139.50
TOTAL		4,243,607.27

Observations of the Committee.

21. The Committee observed the following;

- i. There was an unexplained variance totalling to Kshs.4,243,597 that was not disclosed.
- ii. No evidence was provided on Kshs.5, 143,388 as an interest income relating to previous years.
- iii. The Bank certificates provided were not certified
- iv. The Matter is unresolved.

Recommendations of the Committee

22. The Committee recommends that within three months upon the adoption of this report

- i. The Accounting Officer must reconcile the unexplained variance totalling to Kshs.4,243,597 and provide supporting information to the Auditor – General for verification.
- ii. The Accounting Officer must provide evidence and supporting information on Kshs.5, 143,388 and certified Bank certificates to the Auditor – General for verification;
- iii. The Accounting Officer must 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.

5. UNSUPPORTED RECEIVABLES FROM EXCHANGE TRANSACTIONS

23. The statement of financial position reflects long term receivables balance of Kshs.344, 492,189 and as disclosed in Note 10 to the financial statements. Included in the balance is car loan receivables amount of Kshs.4,810,000 which further includes an amount of Kshs.1, 735,613 described as receivables from bank whose details were not provided.

24. In addition, the balance of Kshs.344, 492,189 includes an amount of Kshs.177, 145,777 in respect of receivable from the personal loans account. However, no approval from The National Treasury, approved policy and guiding regulations were provided for audit review and the Authority may be operating the personal loans scheme irregularly.

In the circumstances, the accuracy, completeness and validity of the current receivables from exchange transactions of Kshs. 4,810,000 and long-term receivables from personal loans of Kshs.177, 145,777 could not be confirmed.

Submissions by the Accounting Officer

25. The Accounting Officer submitted the following;

The amount of Kshs 4,810,000 related to amounts disbursed to 3 members of staff as car loans. Kshs 1,735,613 is the amount recovered from the staff. A journal would be passed this year to reflect the same and restate the accounts for that year. The analysis is as per the below table.

Staff Number	Original Principal	Amount recovered (receivable from bank)	Outstanding Balance
TEA_109	2,650,000.00	938,043.10	1,711,956.90
SUG_192	1,400,000.00	514,759.72	885,240.28
SUG_352	760,000.00	282,810.30	477,189.70
TOTAL	4,810,000.00	1,735,613.12	3,074,386.88

26. The personal loans schemes were inherited from the previous boards which had an arrangement with National Bank of Kenya. The Authority is no longer disbursing any new loans and the scheme currently being wound up and current outstanding amounts are being recovered.

Observations of the Committee.

27. The Committee observed the following;

- i. The car loan receivables includes an amount of Kshs.1,735,613 described as receivables from bank whose details were not provided.
- ii. Management did not avail approvals to operate personal loan account.
- iii. Management operated without a Management Board for a long time which resulted to them issuing personal loans which irregularized the Scheme operations.
- iv. The matter is unresolved.

Recommendations of the Committee

28. The Committee recommends that

Within six months of the adoption of the report the Accounting Officer must seek approval from the board of management to regularize the scheme operations and provide a progress report on the same to the Auditor- General for verification

6. UNSUPPORTED TRANSFER TO TEA BOARD OF KENYA

29. The statements of changes in net assets reflects a transfer out from the staff mortgage and car loan fund to the now autonomous Tea Board of Kenya of Kshs. 52,071,963. Management explained that the amount relates to personal loans component owed by staff of Tea Board of Kenya. However, the total loan portfolio for the staff of Tea Board of Kenya amounted to Kshs. 211,101,152 as at 30 June, 2021 and the balance of Kshs.159,029,189 has not been transferred and is not reflected as a payable in the Authority's financial statements. In the circumstances, the accuracy and completeness of the Fund's financial statements for the year ended 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

30. The Accounting Officer submitted the following;

As at 30th June 2022 the Authority reported trade and others payables of Kshs 862,880,000. Included in this amount of Kshs 862,880,000 is the Mortgage and Car loan fund of Kshs 108,802,000 and Kshs 50,000,000 respectively for the former the Tea Board of Kenya under note No. 26 of the Statement of the financial position of the Annual reports and financial statements as at 30th June 2022.

Observations of the Committee.

31. The Committee observed the following;

- i. The Authority reported and disclosed the trade and others payables amounting to Kshs 862,880,000.
- ii. The matter is resolved

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

7. DORMANT STANDING COMMITTEE

32. During the year the Fund operated with a standing committee which did not conduct any meeting. This is contrary to the requirements by the Agriculture and Food Authority car loan and staff housing mortgage scheme policy. It is not clear how the total loans disbursed during the year amounting to Kshs115,120,000 were approved and disbursed during the financial year under review. In the circumstances, the internal controls and governance systems over the Fund were not effective.

Submissions by the Accounting Officer

33. The Accounting Officer submitted the following;

During the year, the standing committee was dormant due to lack of quorum as a result of transfers/ deployments and exits of Tea Directorates staff back to the Tea Board of Kenya. Despite this challenge serious deliberations (especially for the separation of the Car Loan and Mortgage Scheme between AFA and Tea Board of Kenya) were made via a consultative process, appointed special committee with the minutes and report made. Attached are minutes, report and memos on the same. This anomaly has since been corrected and a new committee established with meetings held on a need basis.

Observations of the Committee.

34. The Committee observed the following

- i. The separation of the Car Loan and Mortgage Scheme between Agricultural Food Authority and Tea Board of Kenya was made via a consultative process, which appointed a special committee with the minutes and report attached.
- ii. This matter is resolved.

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

35. Mr Jonathan Mueke, Principal Secretary State Department Livestock Development, appeared before the Committee on Wednesday 28th February 2024 to adduce evidence on the audited financial Statements for the Veterinary Service Development Fund for the Financial Years 2020/2021 and 2021/2022. She was accompanied by:

1. Mr. Peter Mung'athia - Veterinary Service Development Fund Manager.
2. Mr. Peter K. Mbugua - Parliamentary Liaison Officer.
3. Mr. Nahum Nyawara - Finance officer.
4. Ms. Rachel Ndungu - Assistant Accountant.
5. Mr, Felix Mutuku - Communications officer.

3.1 Examination of the Auditor General Report for the Financial Year ended June 2021

1. Unsupported Property, Plant and Equipment.

36. The statement of financial position reflects property, plant and equipment balance of Kshs.25,749,262 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.25,749,262 as at 30th June, 2021 could not be confirmed.

Submissions of the Accounting Officer

37. The Accounting Officer submitted as follows

it was true that the statement of financial position as at 30 June, 2021 reflected property, plant and equipment of Kshs.25,749,262.00. Detailed analysis of individual assets cost, accumulated depreciation and net book value under the various classes of assets were not provided for audit. The management conducted a vigorous activity to resolve the issues regarding lack of an updated Veterinary Services Development Fund asset register by physical count of assets, tagging them as well as calculating depreciation on each identified asset in the financial year ending 30th June 2023. At the end of the activity the management was able to come up with an updated asset register updated depreciation schedule.

- a) Motor vehicle
- b) Furniture & Fitting
- c) Computers
- d) Plant & Equipment

38. It was established that some assets had not been fully depreciated according to their time of acquisition and thus an adjustment to reflect the actual depreciated amount and net book value as per the accounting standards was made.

Findings and Observations of the Committee

39. The Committee observed the following;

- i. The Management provided an asset register, listing the assets, detailing the asset description, serial number, acquisition date, cost, quantity and total cost.
- ii. The Property Plant Equipment movement schedule with Cost, Depreciation charge and calculation of Net Book value was verified.
- iii. The matter is resolved

2. Lack of Enterprise-Wide Risk Management (ERM) in Place

40. As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

Submissions of the Accounting Officer

41. The Accounting Officer submitted as follows

That the process of implementing Enterprise Wide Risk Management (ERM) did start by appointment of Risk assessment team. The team was trained and tasked with identifying various risks. The process of identifying risk was still ongoing. Currently the various risks that could affect the Veterinary Services Development Fund processes were mitigated by;

- i. Regular internal audits.
- ii. External audit by OAG.
- iii. Adherence of Public Finance Management act 2012 and other treasury circulars in place.
- iv. Migrating to digital payment platforms e.g Kentrade and E-citizen.

Observations of the Committee.

42. The Committee observed the following

- i. There was no evidence of the draft report, although a committee was in place to formulate the risk policy.
- ii. The matter is unresolved.

Recommendations of the Committee

43. The Committee recommends that ;

- i. Within three months upon adoption of this report, the Accounting Officer must provide a status report and supporting evidence on the ongoing process of risk identification to the Auditor General for audit verification.
- ii. The Accounting Officer must 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. Lack of Internal Audit Function and Audit Committee

44. The Fund does not have an Internal Audit function and Audit Committee to review/appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. In addition, it lacks an internal audit manual and charters to guide the Internal Audit function and operations. Although the Management has explained that the Fund relies on the Internal Audit Unit of the State Department of Livestock, no internal audit reports on the Fund's operations were provided for audit review.

Submissions of the Accounting Officer

45. The Accounting Officer submitted as follows
The Fund had been founded under the State Department for Livestock, hence the State Department Internal Audit function carried out yearly/need audits whenever required. The Internal Audit Report had been provided.

Observations of the Committee.

46. The Committee observed the following

- i. The fund supports the state department for livestock in revenue collection.
- ii. The state department auditors are mandated to provide audit services.
- iii. The matter is resolved.

3.2 Examination of the Auditor General Report for the Financial Year ended June 2022.

1. Unsupported Property, Plant and Equipment

47. The statement of financial position reflects property, plant and equipment balance of Kshs.29,596, 333.00 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.29,596,333.00 could not be confirmed.

Submissions of the Accounting Officer

48. The Accounting Officer submitted as follows

It is true that the statement of financial position as at 30 June, 2022 reflected property, plant and equipment of Kshs.29,596,333.00 Detailed analysis of individual assets cost, accumulated depreciation and net book value under the various classes of assets was not provided for audit. The management conducted a vigorous activity to resolve the issues regarding lack of an updated Veterinary Services Development Fund asset register by physical count of assets, tagging them as well as calculating depreciation on each identified asset in the financial year ending 30th June 2023. At the end of the activity the management was able to come up with an updated asset register as well as an updated depreciation schedule. Asset Register;

Asset Register;	Depreciation Schedule;
a) Motor vehicle	a) Motor vehicle
b) Furniture & Fitting	b) Furniture & Fitting
c) Computers	c) Computers
d) Plant & Equipment	d) Plant & Equipment

49. It was established that some assets had not been fully depreciated according to their time of acquisition and thus an adjustment to reflect the actual depreciated amount and net book value as per the accounting standards was made.

Observations of the Committee

50. The Committee observed the following

- i. The Management provided an asset register, listing the assets, detailing the asset description, serial number, acquisition date, cost, quantity and total cost.
- ii. The Property Plant Equipment movement schedule with Cost, Depreciation charge and calculation of Net Book value was verified
- iii. The matter is resolved

2. Outstanding Receivables from Non-Exchange Transactions

51. The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.374,800 which includes outstanding imprest balance of Kshs.98,000 and rent arrears of Kshs.276, 800 due from various staff and have been outstanding for more than one year. No provision has been made for the outstanding debt and no meaningful progress has been reported towards recovery of this debt as at the date of this report.

Submissions of the Accounting Officer

52. The Accounting Officer submitted as follows

It was true the financial position reflected receivables from non-exchange transactions balance of Kshs.374,800 which included outstanding imprest balance of Kshs.98,000 and rent arrears of Kshs.276, 800 due from various staff.

On Outstanding areas he submitted that the houses were rented mainly by casual workers employed in the veterinary farm whose wages sometimes delayed due to exchequer release. He indicated that the management instituted measures to ensure that no worker with rent arrears was re-engaged. The arrears amounting to Ksh. 246,800.00 had been cleared as per attached payment summary of the affected houses. However, four 4 houses were still in arrears of Kshs. 30,000.00 due to various reasons. The new tenants were currently paying rent, attached are their allotment letters, payment receipts and payslip

Observations of the Committee.

53. The Committee observed the following

- i. The Outstanding Imprest amounting to Kshs. 98, 000 had since been surrendered.
- ii. Four (4) houses still had rent arrears of Kshs. 30,000
- iii. The matter is partially resolved .

Lack of Enterprise-Wide Risk Management (ERM) in Place

54. As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

Submission of the Accounting Officer

55. The Accounting Officer submitted that the process of implementing Enterprise Wide Risk Management (ERM) did start by appointment of Risk assessment team. The team was trained and tasked with identifying various risks. The process of identifying risk was still ongoing. Currently the various risks that can affect the Veterinary Services Development Fund processes were mitigated by;

- Regular internal audits.
- External audit by OAG.
- Adherence of Public Finance Management act 2012 and other treasury circulars in place.
- Migrating to digital payment platforms e.g Kentrade and E-citizen

Observations of the Committee.

56. The Committee observed the following

- i. There was no evidence of the draft report, although a committee was in place to formulate the risk policy.

- ii. The matter is unresolved.

Recommendations of the Committee

57. The Committee recommends that ;

- i. Within three months upon adoption of this report, the Accounting Officer must provide a status report and supporting evidence on the ongoing process of risk identification to the Auditor General for audit verification.
- ii. The Accounting Officer must 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.

4.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE GOVERNMENT PRESS FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

58. Mr Abdi Hassan Ali, Government Printer, Government Press appeared before the Committee on Thursday 29th February 2024 to adduce evidence on the audited financial Statements for the Government press Fund for the Financial Years 2020/2021 and 2021/2022. She was accompanied by:

1. Mr. Geoffrey Runoh - Senior Deputy Printer
2. Mr. Muli Kyalo - Accountant Government Press

4.1 Examination of the Auditor General Report for the Financial Year ended June 2021

(i) Long Outstanding Debtors

59. As disclosed in Note 11 to the financial statements, the statement of financial position as at 30 June, 2021 reflects receivables from exchange transactions balance of Kshs. 219,220,649 which includes long outstanding debts amounting to Kshs. 121,126,799 that have been outstanding for more than five (5) years. No satisfactory reason has been provided for failure to collect these outstanding debts whose recovery is doubtful. Further, no provision for doubtful debts has been made in the financial statements for the long outstanding debts.

Submissions by the Accounting Officer

60. The Accounting Officer submitted as follows
Out of the initial receivables of Kshs 219,220,649.00 as at 30th June, 2021, they had been able to account for Kshs 212,401,349.00 leaving a balance of Kshs 6,819,300.00. The Department had created a costing section which was purely for pursuing outstanding debts. Reconciliation teams had been formed from both sides of the institutions in situations where there are differences between amounts presented by debtors and the Department.

observations of the committee

61. The Committee observed the following;
- i. The Fund Management had been able to recover Kshs. 212,401,349 as per the attached schedule.
 - ii. An amount of Kshs. 6,819,300 was still outstanding and owed to the fund.
 - iii. The Matter is unresolved.

Recommendations of the Committee

62. The Committee Recommends that:
- i. Management of the Fund should recover outstanding amount of Kshs. 6,819,300 owed to the fund.

- ii. Within three (3) months upon the adoption of this report, the Accounting Officer should submit a status report on the long outstanding debt made to the Auditor general for audit verification.

(ii) Use of Aged Equipment and Low Performance Output of Key Machines

63. As reported in the previous year, most of the Funds printing equipment are old and obsolete with some dating back to the year 1930. The equipment experiences frequent breakdowns and hence incurs high maintenance costs. Further, the sourcing of spare parts for maintenance of the equipment/machines has been very difficult. In addition, review of machine performance analysis indicates a reduction in production output per hour over the years as detailed below;

Machine Name	Production Speed at Installation (Pages per Hr)	Current Production Speed (Pages per Hr)
Wanup Timson no.27	12,000	5,000
Rotary 1	12,000	3,000
Platen no.6	8,000	1,300
City line express	35,000	22,000

Submissions by the Accounting Officer

64. The Accounting Officer submitted as follows

Most of the printing machines/equipment were aged with low performance. The Department had been forced to bear with the aged machines over the years due to inadequate Budgetary Allocations. Additionally, he submitted that out of the Development Vote Budgetary allocation for 2023/2024, the Department had bought two (2) Digital machines and a Shredder.

Findings and observations of the committee

65. The Committee observed the following;

- i. The department had acquired two new digital machines, but the old machines identified for disposal were yet to be disposed.
- ii. The matter remained unresolved.

Recommendations of the Committee

66. The Committee recommends that:

- i. Within three months upon the adoption of this report the Accounting Officer must seek approval to dispose of the old machines in accordance with the provisions of the Public Procurement and Asset Disposal Act, 2015, and its regulations.

- ii. The Accounting Officer must ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

(iii) Budgetary Performance

67. The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects an approved revenue budget of Ksh.400,000,000 with actual revenue collected of Ksh.222,251,651, resulting in an under collection of Ksh.177,748,349 or approximately 44% of the budget.

Submissions by the Accounting Officer

68. The Accounting Officer submitted as follows
The major reason for underperformance was the harsh economic environment brought about by covid-19 pandemic which was unprecedented globally since no country understood the behavior of the virus and everybody was in a high caution mode. The measures put up by the Government that time entailed most citizens and civil servants working from home. The state of lock down affected the selling/publishing and printing services slowing down hence low revenue.

Findings and observations of the committee

69. The Committee observed the following;
 - i. The year 2020/2021 was affected by COVID which affected revenue as a result of lock downs.
 - ii. The Fund's Performance improved in the 2021/22 and subsequent year.
 - iii. The Matter is resolved.

(iv) Health and safety concerns in the stores

70. A physical inspection of paper stores at the Fund revealed that the stores were not well ventilated and thus exposing the officers deployed to work therein to the risk of contracting respiratory diseases. Further, the Department did not have adequate safety and firefighting equipment in the stores.

Submissions by the Accounting Officer

71. The Accounting Officer submitted as follows
The above observations about ventilation were still a major issue for the staff. The recommendation was not implemented due to lack of funds. The Department has contacted Occupational Safety and Health Authority (OSHA) and their recommendations are being implemented albeit inadequate resources.

Findings and observations of the committee

72. The Committee observed the following;

- i. The recommendation were not implemented due to lack of funds.
- ii. Management had indicated that they contacted Occupational Safety and Health Authority (OSHA) and recommendations were being implemented.
- iii. The matter remained unresolved.

Recommendations of the Committee

73. The Committee recommends that:

Within six months of adoption of this report, the Accounting Officer must submit a progress report to the Auditor - General on the Implementation of recommendations by Occupational Safety and Health Authority (OSHA) for audit verification.

4.2 Examination of the Auditor General Report for the Financial Year ended June 2022.

(i) Long Outstanding Debtors

74. As disclosed in note 10 to the financial statements, the statement of financial position reflects receivables from exchange transaction balance of Kshs189,683,941 which includes long outstanding debts amounting to Kshs68,764,954 which has been outstanding between the years 2017 to January 2021. No satisfactory reason has been provided for failure to collect these outstanding debts whose recovery is doubtful. Further, no provision for bad and doubtful debts has been made in the financial statement for the long outstanding debts.

	DEBTORS	AMOUNT	STATUS AS AT 31/1/2024
1	COMMUNICATIONS AUTHORITY OF KENYA (CAR)	60,000	PAID
2	STATE DEPARTMENT FOR CORRECTIONAL SERVICE	5,040,000.00	PAID
3	IMMIGRATION	13,075,000.00	RECONCILIATION ON-GOING
4	NAIROBI METROPOLITAN SERVICE	1,282,500.00	PAID
5	STATE DEPARTMENT OF VOCATIONAL & TECH TRAINING	190,000.00	PAID
6	CIVIL REGISTRATION SERVICES (CARS)	10,344,600.00	RECONCILIATION ON-GOING
7	MINISTRY OF LANDS AND PHYSICAL PLANNING	38,772,854.00	RECONCILIATION ON-GOING
	TOTAL KSHS	68,764,954.00	

Submissions by the Accounting Officer

75. The Accounting Officer submitted the following;

It is true that the 2021/2022 Financial Statements reflects receivables from exchange transactions as Ksh189,683,941 which included long outstanding debts amounting to Ksh 68,764,954. I wish to respond that the Department created a costing section. This section is purely for pursuing outstanding debts. Reconciliation teams have been formed from both sides of the institutions in situations where there are differences between amounts presented by debtors and the Department.

Findings and observations of the committee

76. The Committee observed the following;

- i. The Fund Management had been able to recover Kshs. 212,401,349 as per attached schedule.
- ii. An amount of 6,819,300 was still outstanding and owed to the fund
- iii. The Matter remained unresolved.

Recommendations of the Committee

77. The Committee Recommends that:

- i. Management of the Fund should recover outstanding amount of Kshs. 6,819,300 owed to the fund.
- ii. Within three (3) months upon the adoption of this report, the Accounting Officer should submit a status report on the long outstanding debt made to the Auditor general for audit verification.

ii) Inaccuracies in cash and cash equivalents

78. As disclosed in Note 8 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs325,145,992 which includes postal money order of Kshs12,456,139 which is owed by Kenya Postal Corporation. The amount related to payments made for services rendered by the Fund for the period between 1 July, 2019 and 30 June, 2022 which had not been cashed. However, confirmation from records held by Postal Corporation of Kenya indicated that an amount of Kshs11,802,499 was owing to the Fund as at 30 June 2022 hence a variance of Kshs653,640.

Submissions by the Accounting Officer

79. The Accounting Officer submitted the following;

It is true that the statement of financial position reflects cash and cash equivalent balance of Kshs325,145,992 which included postal money orders amounting to Ksh12,456,139. The Postal Corporation of Kenya held that they owed the Department Ksh11,802,499 resulting to a variance of Ksh653,640. I wish to state that a money order is one of the accepted modes of payment for our services taking into consideration that the post offices are located across the country even in remote areas. The arrangement which dates back to several years with the Posta was that we offer the service and claim a refund from the Posta.

80. Additionally, I wish to state that a Reconciliation Committee between the Postal Corporation of Kenya and the Department was set up. I also wish to state that out of the Reconciliation Committee agreements, the Postal Cooperation of Kenya has been paying/settling the money orders. As at 30th June 2023, the amount had reduced from Kshs12,456,139 to Ksh7,322,640 and am glad to report that as at 31st January 2024, the whole amount had been settled.

Findings and observations of the committee

81. The Committee observed the following;

- i. The variance of Kshs653,640 owed by Kenya Postal Corporation had been reconciled and eventually cleared.
- ii. The matter is resolved.

iii) Use of Aged Equipment and Low Performance Output of Key Machines

82. As reported in the previous year, most of the Funds printing equipment are old and obsolete with some dating back to the year 1930. The equipment experiences frequent breakdowns and hence incurs high maintenance costs. Further, the sourcing of spare parts for maintenance of the equipment/machines has been very difficult. In addition, review of machine performance analysis indicates a reduction in production output per hour over the years as detailed below;

Machine Name	Production Speed at Installation (Pages per Hr)	Current Production Speed (Pages per Hr)
Wanup Timson no.27	12,000	5,000
Rotary 1	12,000	3,000
Platen no.6	8,000	1,300
City line express	35,000	22,000

Submissions by the Accounting Officer

83. The Accounting Officer submitted the following; It is true that most of the printing machines/equipment are aged with low performance. The Department has been forced to bear with the aged machines over the years due to inadequate Budgetary Allocations. Additionally, I wish to report that out of the Development Vote Budgetary allocation for 2023/2024, the Department has bought two (2) Digital machines and a Shredder (**Copies of LPOs and Tender awards attached**)

Findings and observations of the committee

84. The Committee observed the following;

- i. The department had acquired two new digital machines, but the old machines identified for disposal were yet to be disposed.
- ii. The matter remained unresolved.

Recommendations of the Committee

85. The Committee recommends that;

- i. Within three months upon the adoption of this report the Accounting Officer should seek approval to dispose of the old machines in accordance with the

provisions of the Public Procurement and Asset Disposal Act, 2015, and its regulations.

- ii. The Accounting Officer should ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

iv) Lack of an Integrated Print Production Management System


86. Review of the Government Press Fund production department revealed various production phases which involved other Department's such as handling customer services, planning, production, and engineering. However, the Government Press Fund did not have an integrated management system to manage the print production which includes estimating and quoting, scheduling, order entry and job tracking, raw materials inventory and shop floor data collection. As a result, it's not possible to have real time tracking of the customer orders in the chain of production to enhance efficiency in the production process and decision making.

Submissions by the Accounting Officer

87. The Accounting Officer submitted the following; It is true that lack of an integrated Print Production and Management System has really affected the efficiency and effectiveness of service delivery over the years. Additionally, I wish to point out that the procurement of ERP System has already been finalized: Supply, installation, commissioning and training is on-going.

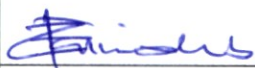

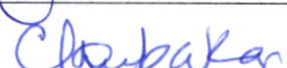
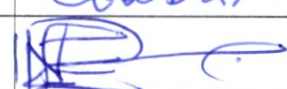
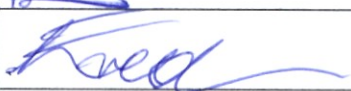

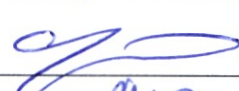

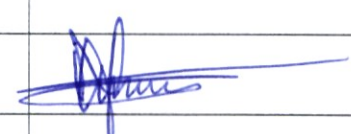

Findings and observations of the committee

88. The Committee observed the following;
- i. The Management had already acquired an ERP whose installation, commissioning and training was on-going.
 - ii. The Matter is resolved.

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 AUG 2024	
DAY: WEDNESDAY	
TABLED BY:	HOW- RATHIN BAWOBA, MP
CLERK-AT THE-TABLE:	VICE-CHAIR-SPECIAL FUNDS
	KESTHER NGEWU

THIRTEENTH PARLIAMENT – THIRD SESSION
THE NATIONAL ASSEMBLY
SPECIAL FUNDS ACCOUNTS COMMITTEE.
ADOPTION LIST FOR THE
THIRTEENTH REPORT ON AUDITED FINANCIAL STATEMENTS FOR
THE:

Agricultural Food Authority Car loan and Mortgage scheme	-	2021/2022
Veterinary Services Development Fund	-	2020/2021 and 2021/2022
Government Press Fund	-	2020/2021 and 2021/2022

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

MINUTES OF THE 3RD SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 15TH FEBRUARY 2024, IN COMMITTEE ROOM ON 5TH FLOOR, CONTINENTAL HOUSE AT 9.30AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Eve Akinyi Obara, MP
6. Hon. Tom Mboya Odege, MP
7. Hon. Catherine Nakhabi Omanyoo, MP
8. Hon. Cecilia Asinyen Ngitit, MP
9. Hon. Kahugu Erick Mwangi, MP
10. Hon. Joseph Kimutai Cherorot, MP
11. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Joshua Odongo Oron, MP
4. Hon. Joseph Majimbo Kalasinga, MP

IN ATTENDANCE

AGRICULTURE AND FOOD AUTHORITY (AFA) CAR LOAN & MORTGAGE FUND.

1. Ms. Grace Kyallo - Ag, Director General.
2. Mr. Kibwana K. Mataka - Head, HRD.
3. Mr. Elias Lavasu - Deputy Director, Finance.
4. Mr. Johnson Agu - AFA, HR.
5. Mr. Mark Owuor - AFA, HQ.
6. Ms. Julia Yola - AFA, HQ.

OFFICE OF THE AUDITOR-GENERAL

1. Ms. Mercy Kinyuru - Principal Auditor.
2. Ms. Khadija Alugongo - Deputy Director, Audit.
3. Mr. David Osiemo - Liason Officer.

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Ag. Senior Clerk Assistant I/ Lead Clerk
2. Ms. Comfort Achieng - Clerk Assistant III
3. Nimrod Mate - Clerk Assistant III
4. Ms. Judith Kanyoko - Legal Counsel II

- | | |
|--------------------------|----------------------------|
| 5. Mr. Benard Omondi | - Seargent at arms. |
| 6. Mr. Peter Mutethia | - Audio Officer III. |
| 7. Mr. Robert Ng'etich | - Fiscal Analyst. |
| 8. Mr. Derrick Kathurima | - Media Relations Officer. |
| 9. Mr. Abdifatah Mahat | - Attachee. |

MIN. NA/AA&GPC-SFAC/2024/009.

PRELIMINARIES

The Chairperson called the meeting to order at 10.20am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Examination of the Auditor General Reports on Accounts of Agriculture and Food Authority (AFA) Car Loan and Mortgage Fund for the Year Ended 30th June 2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

The Acting Director General who is the Accounting Officer for the fund took the oath of witness and tabled the management responses including supporting documents on the audited accounts of the fund for the year ended 30th June 2022.

MIN. NA/AA&GPC-SFAC/2024/010. CONSIDERATION OF THE AUDIT REPORTS OF AGRICULTURAL FOOD AUTHORITY CAR LOAN AND MORGAGE FUND FOR THE YEAR ENDED 30TH

Brief on the mandate and scope of the Fund

The Accounting officer briefed the Committee on the operations and scope of the fund.

It is a state Co-operation under the Ministry of Agriculture with seven State Directorates.

The fund scheme came into inception in the year 2020/2021 with funding from exchequer.

- i) The Scheme Fund received a seed of Ksh.773 Million. This has however declined to Ksh. 622 million due to some Directorates going back to the mother Ministry with their capital.
- ii) The Fund does not get any annual disbursements from the exchequer and does not have any accumulated liabilities.
- iii) The Scheme charges an interest of 3% on their loans.

Examination of the Auditor General Report for AFA's Car Loan and Mortgage Scheme fund for the Year ended June 2022.

1. UNSUPPORTED PRIOR YEAR ADJUSTMENTS

The statement of changes in net assets reflects prior year adjustments amount of Ksh 4,819,229 which Management has explained relates to overstated interest income in the prior year. However, no evidence was provided to support the overstatement that necessitated the adjustments.

In the circumstances, the accuracy and completeness of the prior year adjustments amount of Kshs 4,819,229 could not be confirmed.

Submissions by the Accounting Officer

The Accounting officer submitted the Following

The amount of Kshs 4,819,229 relates to interest accrued in the Authorities books.

This amount had not been credited to the Authority's bank account as per the certificate of balance as at 30th June 2022 which indicated a nil interest earned. This overstated figure was reversed in the ledger to reflect the correct amount as per the statements provided by the bank.

The amount had been accrued in the year 2020/2021.

Findings and Observations of the Committee.

The Committee observed the following

- I. The necessary documents were not provided to auditors in good time for verification which contravenes the PFM act 2012 section 62 (C).
- II. This matter remained unresolved.

2. UNSUPPORTED CASH AND CASH EQUIVALENTS BALANCE.

The statement of financial position reflects cash and cash equivalents balance totaling to Kshs. 431,352,188 which as disclosed in Note 8 to the financial statements comprises of Kshs. 301,471,327 in respect of mortgage account balance, Kshs 17,854,223 relating to personal loans and Kshs 112,026,638 in respect of car loan account.

However, the balances were not supported with cashbooks. In addition, the car loan account balance was not supported with a bank reconciliation for the month of June 2022 and the certificate of bank balance reflects a balance of Kshs 50,000,000.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 431,352,188 as at 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

The Accounting officer submitted the Following

The Mortgage account is a deposit account and the bank balance of Ksh 301,471,327 has been supported by a reconciliation and the certificate of balance.

The Authority has provided the two car loan bank statements. Statement for account no. 01098000544300 reflecting a balance of Kshs 95,190,000 and statement for account no. 0130003159927 reflecting a balance of Kshs 16,836,637 as at 30th June 2022, totaling to 112,026,638. The Bank reconciliations, cashbooks and statements are provided.

Findings and Observations of the Committee.

The Committee observed the following;

- I. The matter was partially addressed with an amount of Ksh.95 million that was yet to be accounted for.
- II. Not all information was availed to auditors at the time of audit which is a breach of the law.
- III. The annexure documents provided were not owned/signed.
- IV. The Matter remained unresolved.

Recommendations of the Committee

The committee directed the Fund to provide owned/ signed annexures within seven days.

3. INACCURACIES IN THE STATEMENT OF CASHFLOWS

The statement of financial position reflects cash and cash equivalents as at 1 July, 2021 of Kshs 538,844,404.

Review of records revealed that the Agriculture and Food Authority prior year audited financial statements reflected a staff mortgage fund balance of Kshs.773, 035, 882, which is reflected as the opening balance of the mortgage and car loan fund in the Fund's statement of changes in net assets. The balance comprises of cash and cash equivalents and receivables from staff loan balance of Kshs.383, 672, 548 and Kshs.389, 363, 274 respectively.

However, the amount of Kshs.538, 844, 404 reflected in the statement of Cash flows is at variance with opening cash and cash equivalents balance of Kshs.383, 672, 548 resulting to unreconciled variance of Kshs. 155,171,856. Further, the cash flow statement excluded loan recoveries made during the year amounting to Kshs.64, 665,923. In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

Submissions by the Accounting Officer

The Committee submitted the following;

The Authority did not prepare separate Car Loan & Mortgage statements in the financial year 2020-21. The same was incorporated in the Audited AFA 2020.21 financial statements reflected in the fund balanced of Kshs 773,035,882 as per the Statement of Financial Statements Note No. 21. As correctly observed by the auditors the figure of Kshs 538,844,404 was erroneous and the Authority has restated the amount in the 2022-23 financial statements to reflect the amount of Kshs 446,116,783 as per the Statement of Cash flows for the year under Note No 8.

Findings and Observations of the Committee

The Committee observed the following;

- I. There was an unexplained variance of Ksh.155 million that was not disclosed
- II. The automation system/ERP being used by the fund doesn't seem to achieve what it is intended to achieve.
- III. The matter remains unresolved.

4. REVENUE FROM EXCHANGE TRANSACTIONS.

The statement of financial performance reflects interest income from staff mortgage and car loan of Kshs.4, 844,199 and as disclosed in Note 6 to the financial statements. Included in this balance is an amount of Kshs.899,791 in respect of interest on personal loans which is at variance with the balances reflected in the certificates of balances for the personal loans account totaling to Kshs. 5,143,388. The resultant difference of Kshs.4, 243,597 has not been explained.

Further, the amount of Kshs.5, 143,388 has been reflected as a receivable in the statement of financial position instead of being reflected as revenue for the year. Although Management has

explained that the personal loan accounts and car loan Funds are not revolving funds and that the interest income relates to previous years, no evidence was provided to confirm that the income was recognized in the previous years. In the circumstances, the accuracy and completeness of interest on personal loans of Kshs.899, 791 for the year ended 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

The Committee submitted the following;

The Kshs 5,143,388 was accrued interest as at 30th June 2022. The Kshs 4,243,597 was accrued interest as at 30th June 2021. The difference of Kshs 899,791 is the interest earned for the year 1st July 2021 to 30th June 2022. This is specific to personal Loans component only.

The previous year’s accrued interest of Kshs 4,243,597 had been recognized in the books.

Below is the analysis

JOURNAL ENTRY NO.	DATE	AMOUNT
76148	30 th June 2020	2,000,000.00
83516	30 th June 2021	190,467.77
9745	30 th June 2021	2,053,139.50
TOTAL		4,243,607.27

Findings and Observations of the Committee.

The Committee observed the following;

- I. Information was not provided to auditors in time for audit verification.
- II. The Certificates submitted were not owned/ signed.
- III. There was no Committee in place to govern the scheme.
- IV. The Matter remained unresolved.

5. UNSUPPORTED RECEIVABLES FROM EXCHANGE TRANSACTIONS

The statement of financial position reflects long term receivables balance of Kshs.344, 492,189 and as disclosed in Note 10 to the financial statements. Included in the balance is car loan receivables amount of Kshs.4, 810,000 which further includes an amount of Kshs.1, 735,613 described as receivables from bank whose details were not provided.

In addition, the balance of Kshs.344, 492,189 includes an amount of Kshs.177, 145,777 in respect of receivable from the personal loans account. However, no approval from The National Treasury, approved policy and guiding regulations were provided for audit review and the Authority may be operating the personal loans scheme irregularly.

In the circumstances, the accuracy, completeness and validity of the current receivables from exchange transactions of Kshs. 4,810,000 and long-term receivables from personal loans of Kshs.177, 145,777 could not be confirmed.

Submissions by the Accounting Officer

The Committee submitted the following;

The amount of Kshs 4,810,000 relates to amounts disbursed to 3 members of staff as car loans. Kshs 1,735,613 is the amount recovered from the staff. A journal will be passed this year to reflect the same and restate the accounts for that year. The analysis is as per the below table.

Staff Number	Original Principal	Amount recovered (receivable from bank)	Outstanding Balance
TEA_109	2,650,000.00	938,043.10	1,711,956.90
SUG_192	1,400,000.00	514,759.72	885,240.28
SUG_352	760,000.00	282,810.30	477,189.70
TOTAL	4,810,000.00	1,735,613.12	3,074,386.88

The personal loans schemes were inherited from the previous boards which had an arrangement with National Bank of Kenya. The Authority is no longer disbursing any new loans and the scheme currently being wound up and current outstanding amounts are being recovered.

Findings and Observations of the Committee.

The Committee observed the following;

- I. Management had not responded to the issue of personal loan account balances.
- II. AFA operated without a Management Board for a long time which resulted to them issuing personal loans which irregularized the Scheme operations.
- III. The matter remained unresolved.

6. UNSUPPORTED TRANSFER TO TEA BOARD OF KENYA

The statements of changes in net assets reflects a transfer out from the staff mortgage and car loan fund to the now autonomous Tea Board of Kenya of Kshs. 52,071,963. Management explained that the amount relates to personal loans component owed by staff of Tea Board of Kenya. However, the total loan portfolio for the staff of Tea Board of Kenya amounted to Kshs. 211,101,152 as at 30 June, 2021 and the balance of Kshs.159,029,189 has not been transferred and is not reflected as a payable in the Authority’s financial statements.

In the circumstances, the accuracy and completeness of the Fund’s financial statements for the year ended 30 June, 2022 could not be confirmed.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

As at 30th June 2022 the Authority reported trade and others payables of Kshs 862,880,000. Included in this amount of Kshs 862,880,000 is the Mortgage and Car loan fund of Kshs 108,802,000 and Kshs 50,000,000 respectively for the former the Tea Board of Kenya under note

No. 26 of the Statement of the financial position of the Annual reports and financial statements as at 30th June 2022.

Findings and Observations of the Committee.

The Committee observed the following;

- i. The Authority reported and disclosed the trade and others payables amounting to Kshs 862,880,000.
- ii. The matter is resolved

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

DORMANT STANDING COMMITTEE

During the year the Fund operated with a standing committee which did not conduct any meeting. This is contrary to the requirements by the Agriculture and Food Authority car loan and staff housing mortgage scheme policy. It is not clear how the total loans disbursed during the year amounting to Kshs115,120,000 were approved and disbursed during the financial year under review. In the circumstances, the internal controls and governance systems over the Fund were not effective.

Submissions by the Accounting Officer

The Accounting Officer submitted the following;

During the year, the standing committee was dormant due to lack of quorum as a result of transfers/ deployments and exits of Tea Directorates staff back to the Tea Board of Kenya. Despite this challenge serious deliberations (especially for the separation of the Car Loan and Mortgage Scheme between AFA and Tea Board of Kenya) were made via a consultative process, appointed special committee with the minutes and report made. Attached are minutes, report and memos on the same. This anomaly has since been corrected and a new committee established with meetings held on a need basis.

Findings and Observations of the Committee.

The Committee observed the following

- I. The separation of the Car Loan and Mortgage Scheme between Agricultural Food Authority and Tea Board of Kenya was made via a consultative process, which appointed a special committee with the minutes and report attached.
- II. There was need to tidy up this Fund so as to meet legal and policy requirements.
- III. This matter is resolved.

MIN. NA/AA&GPC-SFAC/2024/011. ADJOURNMENT/DATE OF NEXT MEETING
There being no other business, the meeting was adjourned at 12.25 p.m. The next meeting will be held on notice.

SIGNED Fainab DATE 17/08/2024

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

**MINUTES OF THE 9TH SITTING OF SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON WEDNESDAY, 28TH FEBRUARY 2024, CONTINENTAL BUILDING
COMMITTEE ROOM ON THE 4TH FLOOR AT 9.00 AM**

PRESENT

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

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Eve Akinyi Obara, MP
3. Hon. Joshua Odongo Oron, MP

IN ATTENDANCE

VETERINARY SERVICES DEVELOPMENT FUND

- | | | |
|-------------------------|---|---------------------------------|
| 1. Mr. Jonathan Mueke | - | Permanent Secretary, Livestock. |
| 2. Mr. Peter Mung'athia | - | VSDF Manager. |
| 3. Mr. Peter K. Mbugua | - | Parliamentary Liason Officer. |
| 4. Mr. Nahum Nyawara | - | Finance officer. |
| 5. Ms. Rachel Ndungu | - | Asst. Accountant. |
| 6. Mr. Felix Mutuku | - | Communications officer. |

OFFICE OF THE AUDITOR-GENERAL

- | | | |
|-----------------------|---|--------------------|
| 1. Ms. Ebby A. Adika | - | Principal Auditor. |
| 2. Mr. David Osiemo | - | Liason Officer. |
| 3. Dr. Jackson Ndungo | - | National Treasury. |

NATIONAL ASSEMBLY SECRETARIAT

- | | | |
|------------------------|---|---------------------|
| 1. Ms. Comfort Achieng | - | Clerk Assistant III |
| 2. Mr. Nimrod Mate | - | Clerk Assistant III |
| 3. Mr. Robert Ngetich | - | Fiscal Analyst II |

- | | |
|--------------------------|---------------------------|
| 4. Ms. Judith Kanyoko | - Legal Counsel II |
| 5. Mr. Derrick Kathurima | - Media Relations Officer |
| 6. Mr, Benard Omondi | - Sergeant-at-arms |
| 7. Mr. Abdifatah Mahat | - Attachee |

MIN. NA/AA&GPC-SFAC/2024/027

PRELIMINARIES

The Chairperson called the meeting to order at 9.40 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Consideration of the Auditor General Reports on Accounts of Veterinary Services Development Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

The Principal Secretary who is the the Accounting Officer for the fund **Mr. Jonathan Mueke** undertook the oath of witness. He tabled the management responses and supporting documents on the audited accounts for the financial years 2020/2021 and 2021/2022.

Brief of the Fund

The Accounting officer briefed the Committee on the operations of the Veterinary Services Development Fund (VSDF).

- i) The Veterinary Service Development Fund came into inception in 1995.
- ii) The fund received only sh.1000 to open an account from the consolidated fund and does not receive any other funding.
- iii) The Fund collects funds and levies from livestock breeders.
- iv) The fund has a capital base of Ksh.150 million.

MIN. NA/AA&GPC-SFAC/2024/028 - **CONSIDERATION OF THE AUDIT REPORTS OF VETERINARY SERVICES DEVELOPMENT FUND FOR THE FINANCIAL YEARS 2020/2021**

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment.

The statement of financial position reflects property, plant and equipment balance of Kshs.25,749,262 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.25,749,262 as at 30th June, 2021 could not be confirmed.

Submissions by the Accounting Officer

The Accounting officer submitted the following;

It is true that the statement of financial position as at 30 June, 2021 reflected property, plant and equipment of Kshs.25,749,262.00. Detailed analysis of individual assets cost, accumulated depreciation and net book value under the various classes of assets was not provided for audit.

The management conducted a vigorous activity to resolve the issues regarding lack of an updated VSDF asset register by physical count of assets, tagging them as well as calculating depreciation on each identified asset in the financial year ending 30th June 2023. At the end of the activity the management was able to come up with an updated asset register updated depreciation schedule.

- (a) Motor vehicle
- (b) Furniture & Fitting
- (c) Computers
- (d) Plant & Equipment

It was established that some assets had not been fully depreciated according to their time of acquisition and thus an adjustment to reflect the actual depreciated amount and net book value as per the accounting standards was made.

Findings and Observations of the Committee

- I. Management has provided an asset register, listing the assets. Asset description, serial number, acquisition date, cost, quantity and total cost.
- II. The matter is resolved.

2. Lack of Enterprise-Wide Risk Management (ERM) in Place

As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

Submissions by the Accounting Officer

The Accounting officer submitted the following;

The process of implementing Enterprise Wide Risk Management (ERM) did start by appointment of Risk assessment team. The team was trained and tasked with identifying various risks. The process of identifying risk is still ongoing. Currently the various risks that can affect the VSDF processes are mitigated by;

- i. Regular internal audits.
- ii. External audit by OAG.
- iii. Adherence of Public Finance Management act 2012 and other treasury circulars in place.
- iv. Migrating to digital payment platforms e.g Kentrade and E-citizen.

Findings and Observations of the Committee.

The Committee observed the following;

- I. There is no evidence of the draft report, although a committee was in place to formulate the risk policy.

II. The matter remains unresolved.

3. Lack of Internal Audit Function and Audit Committee

The Fund does not have an Internal Audit function and Audit Committee to review/appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. In addition, it lacks an internal audit manual and charters to guide the Internal Audit function and operations. Although the Management has explained that the Fund relies on the Internal Audit Unit of the State Department of Livestock, no internal audit reports on the Fund's operations were provided for audit review.

Submissions by the Accounting Officer

The Accounting officer submitted the following

The Fund has been founded under the State Department for Livestock, hence the State Department Internal Audit function carries out yearly/need audits whenever required. The Internal Audit Report has been provided.

Findings and Observations of the Committee.

The Committee observed the following

- I. The fund supports the state department for livestock in revenue collection and therefore the state department auditors are mandated to provide audit services.
- II. The matter remains unresolved.

Financial Year 2021/2022.

I. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.29,596,333.00 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.29,596,333.00 could not be confirmed.

Submissions by the Accounting Officer

The Accounting officer submitted the following

It is true that the statement of financial position as at 30 June, 2022 reflected property, plant and equipment of Kshs.29,596,333.00 Detailed analysis of individual assets cost, accumulated depreciation and net book value under the various classes of assets was not provided for audit. The management conducted a vigorous activity to resolve the issues regarding lack of an updated VSDF asset register by physical count of assets, tagging them as well as calculating depreciation on each identified asset in the financial year ending 30th June 2023.

At the end of the activity the management was able to come up with an updated asset register as well as an updated depreciation schedule.

Asset Register;

- (a) Motor vehicle
- (b) Furniture & Fitting
- (c) Computers
- (d) Plant & Equipment

Depreciation Schedule;

- (a) Motor vehicle
- (b) Furniture & Fitting
- (c) Computers
- (d) Plant & Equipment

It was established that some assets had not been fully depreciated according to their time of acquisition and thus an adjustment to reflect the actual depreciated amount and net book value as per the accounting standards was made.

Findings and Observations of the Committee.

The Committee observed the following;

- I. Management had provided an asset register, listing the Asset description, serial number, acquisition date, cost, quantity and total cost.
- II. The matter is resolved.

2. Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.374,800 which includes outstanding imprest balance of Kshs.98,000 and rent arrears of Kshs.276, 800 due from various staff and have been outstanding for more than one year. No provision has been made for the outstanding debt and no meaningful progress has been reported towards recovery of this debt as at the date of this report.

Submissions by the Accounting Officer

The Accounting officer submitted the following

It is true the financial position reflects receivables from non-exchange transactions balance of Kshs.374,800 which includes outstanding imprest balance of Kshs.98,000 and rent arrears of Kshs.276, 800 due from various staff.

Findings and Observations of the Committee.

The Committee observed the following

- i. outstanding imprest had been surrendered.
- ii. Then matter is resolved .

3. Lack of Enterprise-Wide Risk Management (ERM) in Place

As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

Submissions by the Accounting Officer

The Accounting officer submitted the following

The process of implementing Enterprise Wide Risk Management (ERM) did start by appointment of Risk assessment team. The team was trained and tasked with identifying various risks. The process of identifying risk is still ongoing. Currently the various risks that can affect the VSDF processes are mitigated by;

- Regular internal audits.
- External audit by OAG.
- Adherence of Public Finance Management act 2012 and other treasury circulars in place.
- Migrating to digital payment platforms e.g Kentrade and E-citizen

Findings and Observations of the Committee.

The Committee observed the following;

- I. Even though there was a committee in place to formulate the risk policy, there was no evidence of a draft report.
- II. The matter remained unresolved.

MIN. NA/AA&GPC-SFAC/2024/029. **ADJOURNMENT/DATE OF NEXT MEETING**
There being no other business, the meeting was adjourned at 12.00p.m. The next meeting will be held on notice.

SIGNED.....*Fatuma*.....DATE *17/08/2024*.....

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

**MINUTES OF THE 10TH SITTING OF SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON TUESDAY, 5TH MARCH 2024, CONTINENTAL BUILDING COMMITTEE
ROOM ON THE 2ND FLOOR AT 12.00 N00N.**

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. Erastus Kivasu Nzioka, MP
6. Hon. Dr. Christine Ombaka Oduor, MP
7. Hon. Tom Mboya Odege, MP
8. Hon. Catherine Nakhabi Omanyoo, MP
9. Hon. Cecilia Asinyen Ngigit, MP
10. Hon. Joshua Odongo Oron, MP
11. Hon. Kahugu Erick Mwangi, MP
12. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Joseph Majimbo Kalasinga, MP
3. Hon. Joseph Kimutai Chererot, MP

IN ATTENDANCE

NATIONAL HUMANITARIAN FUND

1. Mr. Raymond Omollo - Principal Secretary Internal Security and National Administration
2. Ms. Anne Ngetich - Principal administrative secretary
3. Mr. John Nyabwari - Senior Chief Finance Officer
4. Mr. Keffa Onyiso - Legal Counsel
5. Mr. Fred Muhul - Deputy Accountant General
6. Mr. Stanely Mutua - Liaison Officer Interior
7. Mr. Jamed Muigai - Head of Internal Audit

OFFICE OF THE AUDITOR-GENERAL

1. Mr. David Osiemo - liaison Officer
2. Mr. Richard Nyachio - Director Audit
3. Mr. Josephat Muthusi - Senior Auditor

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Erick Nyambati - Ag Senior Clerk Assistant
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III

- | | |
|--------------------------|---------------------------|
| 4. Ms. Judith Kanyoko | - Legal Counsel II |
| 5. Mr. Derrick Kathurima | - Media Relations Officer |
| 6. Ms. Pauline Sifuma | - Hansard Reporter III |
| 7. Mr. Peter Mutethia | - Hansard Audio officer |
| 8. Mr. Abdifatah Mahat | - Attachee |

MIN. NA/AA&GPC-SFAC/2024/030:

PRELIMINARIES

The Chairperson called the meeting to order at 10.01am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts of the National Humanitarian Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

The Principal Secretary State Department Internal Security and National Administration and the Accounting Officer for the **National Humanitarian Fund** undertook oath of witness. He tabled the management responses and supporting documents on the audited accounts of **National Humanitarian Fund** for the financial years 2020/2021 and 2021/2022.

MIN. NA/AA&GPC-SFAC/2024/031: CONSIDERATION OF THE AUDIT REPORTS OF THE NATIONAL HUMANITATION FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

Brief on the mandate and scope of the Fund

The Accounting officer briefed the Committee on the operations of **National Humanitarian Fund** for the financial years 2020/2021 and 2021/2022.

Examination of the Auditor General reports for National Humanitarian Fund for the financial years 2020/2021 and 2021/2022.

The Committee examined the Auditor General's report for the National Humanitarian Fund for the financial years 2020/2021 and 2021/2022 as follows:

1. Unsupported Payments to Internally Displaced Persons (IPDs)

As disclosed under Note 4 to the financial statements, the statement of receipts and payments for the year ended 30th June, 2021 reflects a total of kshs.116, 198,000.60 in respect of other grants and transfers and payments/expenses out of which payments amounting to Kshs.43,800,000 were made to various IDPs under the cash payment programme through Equity Bank. However, the payments were not supported with verifiable accounting documents including clearly authenticated schedules from the receiving bank and acknowledgements from the beneficiaries. Consequently, the validity and propriety of the disbursement of Kshs.43,800,000 included in other grants and transfers and payments/expenses could not be confirmed.

Submission by the Accounting Officer

The Accounting Officer submitted as follows;

The Statement of Receipts and Payments for the year ended 30th June 2021 reflects a total of Kshs 116,198,000.60 in respect grants, transfers and payments/expenses as disclosed in Note 4 to the NHF financial statements. Out of which payments amounting to Kshs 43,800,000.00 were made to various IDPs under the cash payment programme through Equity Bank.

In the Financial Year under review the fund made disbursements to various IDPs under cash payment programme amounting to Kshs. 43,800,000.00 through Equity Bank.

The State Department secured verifiable and authenticated payment schedules from the bank and they are available for audit verification to support the disbursement. Annex I of the documents submitted

Findings and observation of the committee

The Committee Observed that;

- i. Authenticity and accuracy of payment schedules provided would not be ascertained since some people paid were indicated as originating from three Counties raising concerns on whether the list provided was genuine and accurate.
- ii. The list provided was not a true reflection of the expected IDPS
- iii. Money was disbursed to IDPS in July 2020 yet at the time, there was no functional Committee tasked to do so.
- iv. Other IDPS remained uncompensated or unsettled
- v. The matter remained unresolved

2. Unsupported Bank Balances

As disclosed under Note 5 to the financial statements, the statement of assets and liabilities as at 30th June, 2021 reflects a balance of Kshs.272,622,221.80 in respect of cash and cash equivalents. However, the unpaid list of IDPs to support the amount of Kshs. 259,321 and Kshs.99,760 held in National Bank of Kenya and Equity Bank respectively and all amounting to Kshs.359,081 was not provided for audit verification.

Further, a review of the Fund's Bank statement for the account maintained at Equity Bank for the period between 01.07.2020 to 30.06.2021 showed the following unexplained transactions.

- i. RTGS State Department for Interior and Citizen Services Kshs.193,537,036.05 Credit on 26.02.2021 and Debit of the same amount on 19.03.2021.
- ii. RTGS State Department for Interior and Citizen Services Kshs.3,012,737.00 Credit on 28.05.2021 and Debit of the same amount in 25.06.2021

In the circumstances, the validity and completeness of the cash and cash equivalent of Kshs.272,622,221.80 as at 30th June, 2021 could not be confirmed.

Submission by the Accounting Officer

The Accounting Officer submitted the following;

The State Department requested the National Bank of Kenya to give an account of funds held in the NHF account of Kshs 259,321 and the same is available for audit verification. Annex 2 of the submitted document

Similarly, upon request by the State Department, Equity Bank gave an account statement and clarifications to support the balance of Kshs. 99,760. This amount is deemed to be unclaimed amount for two IDPs and the bank statement is available for audit verification. Annex 3 of the submitted document

For the RTGS amount of Kshs. 193,537,036.05 credited by Equity Bank on 26.02.2021 and a Debit of the same amount on 19.03.2021. The bank clarified that the amount was meant for payroll request from the Ministry done on 2nd February 2021 which was credited to the account erroneously hence necessitating a reversal after the Ministry clarified that the funds were meant to cover the payroll. For the RTGS of Kshs. 3,012,737.00 Credited on 28.05.2021 and a Debit of the same amount on 25.06.2021. The Bank clarified that the Central Bank of Kenya recalled the funds with "SE TI ERROR" reason, which necessitated the reversal. Annex 3 of the submitted document.

Findings and observation of the committee

The Committee observed that;

- i) The fund was dormant from 2017 as the Committee's tenure was for 3 years only thus the Fund did not have a Functional Committee leading to the Funds not being utilized.
- ii) Some of the Internally Displaced Persons's were not paid by the time the Committee's tenure had come to an end and the Accounting Officer had initiated an engagement with the Executive to guide on the matter
- iii) The exact time Kshs. 272,622,22 1.80 was transferred to central bank and who authorized the same would not be established.
- iv) Approvals of debiting the Funds account on the RTGS amounts credited to its account was not explained
- v) The matter remained unresolved.

2. Non-Functioning Fund Committee

As reported in the previous year, although the Prevention, Protection and Assistance to Internally Displaced Persons and Affected Communities Act, 2012 prescribes the Fund Administration procedures including the composition and functions of the Committee and Secretariat, there was no evidence in form of minutes to indicate that the Committee deliberated on the matters of the Fund and directed its administration in the year under audit as provided for under the Act. Further, no evidence was provided of an active Secretariat as provided for in the enabling Act.

In the circumstances, the adequacy and effectiveness or otherwise of risk management and oversight on the Fund could not be confirmed.

Submission by the Accounting Officer

The Accounting Officer submitted the following;

The Fund did not make any disbursements or any payments to the IDP'S In the Financial Year under review. No more funds have been disbursed and no new payment schedules have been forwarded to the banks for payment, thus, there are no minutes to indicate that the Committee

deliberated on matters of the Fund. It was only issues that required clarifications that were referred back to the Committee through the Secretariat but where beneficiaries' details were correct, no further communication was required. The Committee was constituted on 9th December, 2014 for a period of 3 years. Upon expiry of its tenure, the Internally Displaced Persons (IDPs) camps had been closed with most of the IDP's having been integrated back to the society.

Findings and observation of the committee

The Committee observed that;


- i. There was no evidence attached in form of minutes to indicate that, the Committee deliberated on matters of the Fund.
- ii. The Fund did not have a functional Committee since its tenure of three years had expired in the year 2017 , but the committee noted with concern that financial transactions were carried out during the period under review.
- iii. The matter remained unresolved

The Committee directed that

- a) The Accounting Officer provides the following with seven days;
 - i. A list of all confirmed Internally Displaced Person's(IDPS) highlighting those who have been paid, when they were paid and those who not paid.
 - ii. Status report with supportive evidence on laid plans of compensating the remaining IDPS .
 - iii. The Fund's certified Bank Statements for January to 30th June ,2021of Equity and National bank .
 - iv. Bank certificates from both banks as at 30th June 2021.
 - v. Correspondences between Central Bank of Kenya and Ministry of interior and Coordination of National Government regarding following transactions;
 - a) RTGS State Department for Interior and Citizen Services Kshs.193,537,036.05 Credit on 26.02.2021 and Debit of the same amount on 19.03.2021.
 - b) RTGS State Department for Interior and Citizen Services Kshs.3,012,737.00 Credit on 28.05.2021 and Debit of the same amount on 25.06.2021
 - vi. A written submission on when the funds were transferred to Central bank with supporting evidence.

MIN. NA/AA&GPC-SFAC/2024/032: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 2.15 p.m. The next meeting will be held on Tuesday 12th March 2024.

SIGNED..........DATE. 17/08/2024.....

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