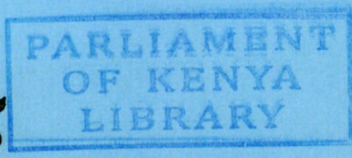
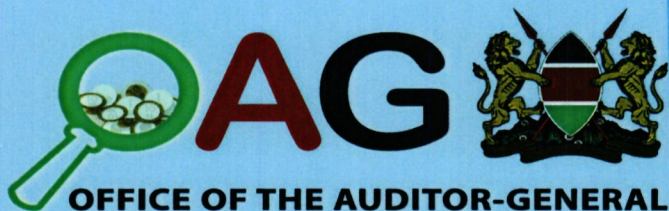


REPUBLIC OF KENYA



Enhancing Accountability

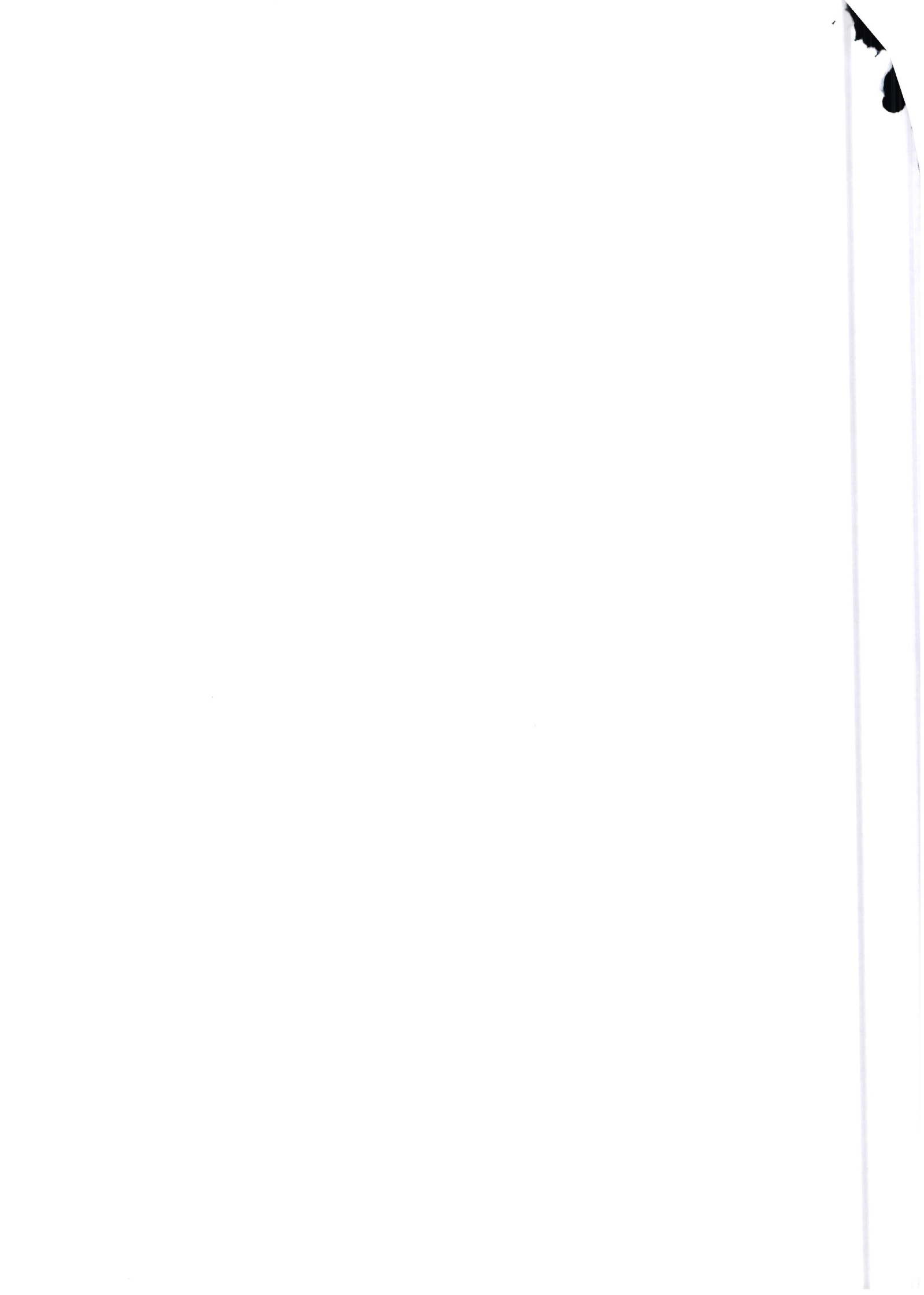
REPORT

THE NATIONAL ASSEMBLY	
DATE: 15 FEB 2022	
DAY OF <u>Tuesday</u>	
TABLED BY:	LDM
CLERK-AT THE-TABLE:	THE AUDITOR-GENERAL

ON

NATIONAL SOCIAL SECURITY FUND

**FOR THE YEAR ENDED
30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

- 6 MAY 2021

RECEIVED



**THE BOARD OF TRUSTEES
NATIONAL SOCIAL SECURITY FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Table of Contents	Page
Key Entity Information	iii
The Board of Trustees	vii
Management Team	ix
Chairman's Statement	xi
Report of the Chief Executive Officer	xv
Review of Nssf's Performance for the Year 2019/2020	xx
Corporate Governance Statement.....	xxiv
Management Discussion and Analysis	xxxii
Corporate Social Responsibility Statement/Sustainability Reporting	xliv
Report of the Trustees	xlviii
Statement of Trustees' Responsibilities.....	xlix
Report of the Independent Auditors on the National Social Security Fund	I
Statement of Changes in Net Assets Available for Benefits	1
Statement of Net Assets Available for Benefits	2
Statement of Cash Flows	3
Statement of Changes in Accumulated Member's Funds	4
Statement of Comparison of Budget and Actual Amounts	5
Notes to the Financial Statements.....	9

KEY ENTITY INFORMATION

Background information

NSSF was established under NSSF Act 258 Laws of Kenya, which was repealed after NSSF Act of 2013 was enacted and came into effect on 10th January 2014. At cabinet level, NSSF is represented by the Cabinet Secretary for Labour and Social Protection. The Fund is governed by a Board of Trustees constituted as per the NSSF Act of 2013 (section 6), with representation from the most representative workers' organization, most representative employers' organization and the Government of Kenya (through the Ministry of East Africa Community, Labour & Social protection, and the National Treasury). The Board of Trustees is responsible for the general policy and strategic direction of the Fund.

Principal Activities

The principal activity of the Fund is to register members, receive their contributions, invest the funds prudently, process and ultimately pay out benefits to eligible members or their dependants.



KEY INFORMATION ON NSSF (Continued)

Board of Trustees

The Trustees who served in the Board of the Fund during the year were as follows:

No.	Trustee	Position	Appointed On
1.	Gen (Rtd) Dr. Julius W. Karangi EGH,CBS, DCO,LOM 'ndc'psc' (K)	Chairman	06.06.2018
2.	Hon. Joseph L. Lekuton OGW	Member	06.06.2018
3.	Prof. Marion Mutugi EBS	Member	06.06.2018
4.	Prof. Dulach Galgalo Barako	Member	16.09.2019
5.	Dr. Francis Atwoli EBS, MBS, (NOM, DZA)	Member	17.09.2018
6.	Mrs. Jacqueline Mugo OGW, MBS	Member	17.09.2018
7.	Dr. Damaris Muhika	Member	03.02.2018
8.	Mr. Mark J. Obuya	Member	20.02.2017
9.	Eng. Peter K. Tum OGW	Member	01.03.2019
10.	Dr. Anthony Omerikwa MBS	CEO	21.11.2019

CORPORATE SECRETARY

Mr. Austin Ouko
P.O. Box 30599-00100
Nairobi.

CORPORATE HEADQUARTERS

Social Security House, Bishops road,
P.O Box 30599-00100
Nairobi, Kenya.
Telephone: +254 020 2729911, Toll Free: 0800
2212744
E-Mail: info@nssfkenya.co.ke
Website: www.nssf.or.ke
Twitter: nssf_ke Facebook: nssfkenya

CORPORATE BANKERS

KCB Bank Kenya Limited,
Moi Avenue,
P.O. Box 48400, 00100
Nairobi.

FUND MANAGERS

Old Mutual Asset Management (K) Ltd,
Old Mutual Building,
P.O. Box 11589-00400,
Nairobi.

Britam Asset Management (K) Ltd,
Britam Centre,
P.O. Box 30375-00100,
Nairobi.

GenAfrica Investment Management Ltd,
14 Riverside Business Park, 1st Floor,
P.O. Box 79127-00200,
Nairobi.

**African Alliance Kenya Investment
Bank Limited – Asset Management**
P.O Box 27639 – 00506
Nairobi.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

FUND CUSTODIANS

Kenya Commercial Bank Custody Services,
KCB Towers, 7th Floor, Kenya Road, Upper Hill
P.O. Box 30664-00100,
Nairobi.

Co-operative Bank Custody
Co-operative House, Haile Selassie Avenue,
P.O. Box 48231 – 00100
Nairobi.

Standard Chartered Securities Services Kenya, 48 Westlands Road,
P.O. Box 40984-00100,
Nairobi.

FUND ACTUARIES

Zamara Actuaries, Administrators and Consultants limited
Landmark Plaza
P.O. Box 52439-00200,
Nairobi.

INDEPENDENT AUDITORS

Auditor General
Office of The Auditor General
Anniversary Towers, University way
P.O. Box 30084-00100
Nairobi.
Tel: 254-20-342330/2227383

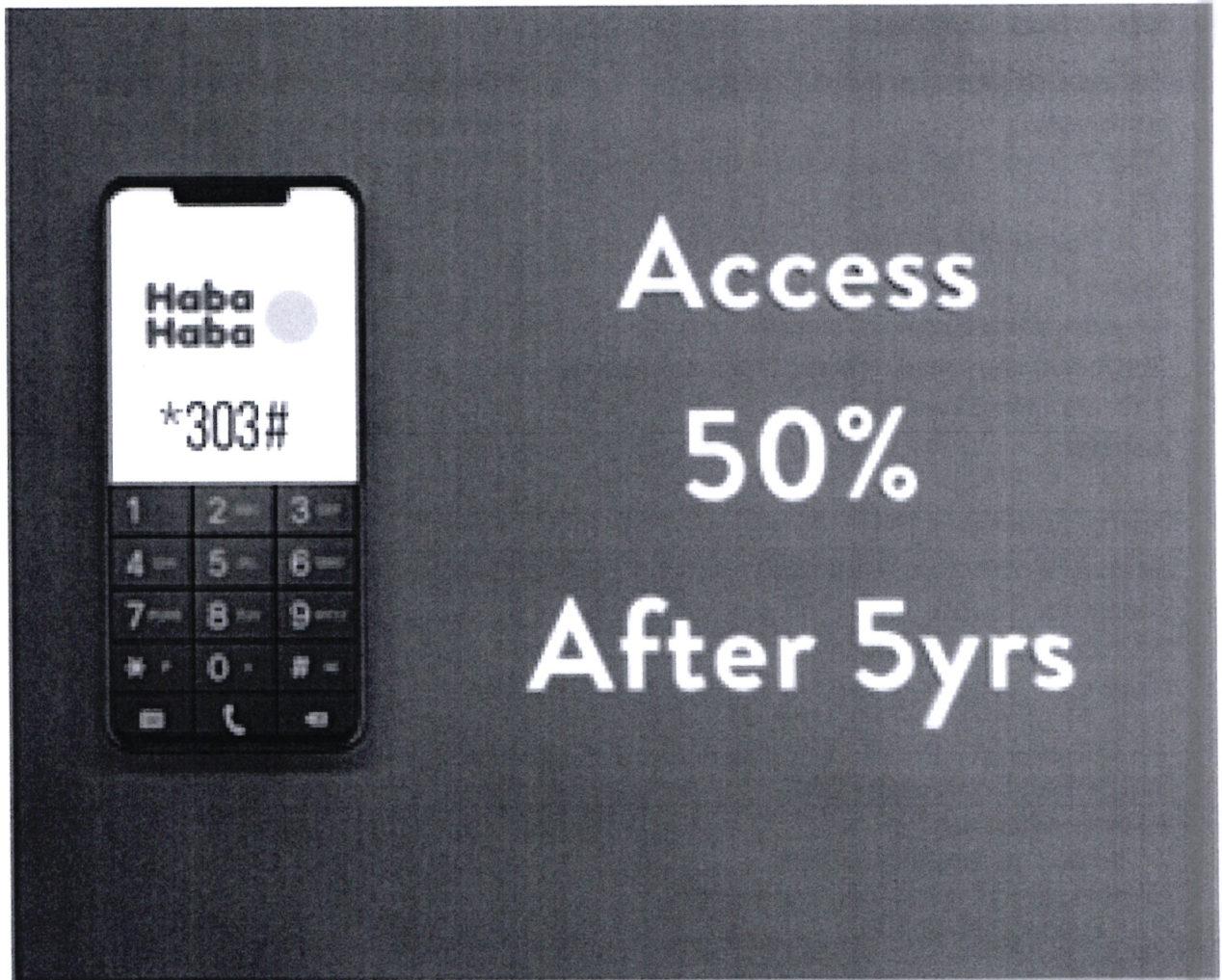
PRINCIPAL LEGAL ADVISERS

The Attorney General
State Law Office,
P.O. Box 40112 – 00200
Nairobi.

Wetangula, Adan & Co Advocates,
12th Floor Bruce House,
P.O Box 10741 – 00100
Nairobi.

Cootow & Associates Advocates,
Social Security House, 11th Floor, Pent Hse,
P. O. Box 16858 – 80100,
Mombasa

Triple OK Law Advocates,
ACK Garden House, 5th Floor Block C,
P.O. Box: 43170-00100,
Nairobi.



The advertisement features a dark grey background. On the left, a smartphone is shown with the 'Haba Haba' logo and the code '*303#' on its screen. To the right of the phone, the text 'Access 50% After 5yrs' is displayed in a large, white, sans-serif font.

Haba Haba

*303#

Access

50%

After 5yrs

THE BOARD OF TRUSTEES



**General (Rtd) Dr. Julius W. Karangi,
EGH, CBS, DCO, LOM - Chairman**

Appointed Chairman on 06/06/2018. General (Dr) Karangi holds a Masters of Science (MSc) Degree in Security and Risk Management from the University of Leicester (UK), a Honorary Doctorate on Humane Letters (Honoris Causa) from Kenyatta University, Kenya and is also a recipient of the United States of America Award of Degree of Commander, The Legion of Merit. He also holds National Honours and Awards of Elder of the Order of the Golden Heart (EGH), Chief of the Order of the Burning Spear (CBS) and Distinguished Conduct Order (DCO).

He is the former Chairman of Kenya Airports Authority.

Prof. Dulach Galgallo Barako - Trustee

Appointed on 16/09/2019 he is the alternate to the Principal Secretary, National Treasury. Prof. Barako is Director, Financial and Sectoral Affairs Department at the National Treasury. Prior to secondment to the National Treasury, he worked at the Central Bank of Kenya – long career spanning over 20 years. He holds a PhD from the University of Western Australia, MBA and BCom from University of Nairobi. He is a Fellow of the Institute of Public Accountants, Australia as well as member of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). He is also a practicing member of the Institute of Chartered Investment and Financial Analysts of Kenya (ICIFA) as well as Kenya Institute of Management (KIM). He has also served as Chairman of Council, Dedan Kimathi University of Technology; Chairman of Council, Meru University of Science and Technology; Treasurer of Council, Moi University; and board member: Capital Markets Authority (CMA), Agricultural Finance Corporation (AFC) and Safaricom PLC.j



Eng. Peter K. Tum, OGW - Trustee

Appointed Principal Secretary, State Department for Labour in the Ministry of Labour and Social Protection on 1st March 2019. Prior to this appointment, Eng. Tum served as the Principal Secretary, Ministry of Health. He holds a Master's Degree in Energy Management from the University of Nairobi, a Bachelor of Industrial Technology from Egerton University and a Post-Graduate Diploma in Medical Electronics from the University of London.

Eng. Tum comes with a wealth of experience in public service having previously served as the Chief Executive Officer of Kenya Medical Training College (KMTTC).



Hon. Joseph Lemasolai Lekuton, OGW- Trustee

Appointed Trustee on 6/06/2018, he holds a Masters of International Education policy (Harvard University) and Master of Administration (St. Lawrence University). Additionally, he holds a Bachelor of Economics in Economic Development and a Bachelor of Government in International Relations.

A celebrated award winning author and public speaker, has held various public assignments including being a member of parliament representing Laisamis constituency.



Dr. Kamau Thugge-Trustee

Dr. Kamau Thugge is the Principal Secretary at the National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before then, he worked with the International Monetary Fund (IMF) as a Senior Economist and Deputy Division Chief.

Dr. Thugge is widely published and holds a Bachelor of Arts (Economics) degree from Colorado College, USA; a Master's degree in Economics and a Doctor of Philosophy (PhD) degree in Economics both from John Hopkins University.



Dr. Francis Atwoli, EBS, MBS, (NOM DZA) - Trustee

Born in 1949 and appointed Trustee on 17/09/2018, he has extensive training in labour movement history. He holds a Honorary Doctor of Letters (Labour Relations) (Honoris Causa) awarded by Masinde Muliro University of Science and Technology. He was trained in Turin college of International Labour Organisation in advanced industrial relations practices / labour economics / collective bargaining techniques / international labour laws / trade union organisation. Has vast experience in labour relations gained in Central Organization of Trade Unions where he is currently serving as the Secretary General and from other labour related institutions including The International Labour Organization, KPAWU and The Pan African Labour organisation of Africa trade union unity.

Mrs. Jacqueline Mugo, EBS, MBS, OGW - Trustee

Born in 1957 appointed Trustee on 17/09/2018. Jacqueline Mugo, EBS, MBS, OGW is the Executive Director and Chief Executive Officer of the Federation of Kenya Employers. Jacqueline plays a strong leadership role in the continent and represents employers and the private sector at the regional and international level including the Governing Body of the International Labour Organization (ILO) and the International Organization of Employers (IOE), both based in Geneva, Switzerland the ACP-EU Follow-up Committee in Brussels and several public sector boards in Kenya. Jacqueline is an advocate of the High Court of Kenya. She holds a Bachelor of Laws (LLB, Hons) degree, from the University of Nairobi and a Higher Diploma in Human Resource Management from the Institute of Personnel Management and is a graduate of Kenya School of Law. She has over 30 years' experience acquired from serving in the public and private sector covering legal, human resource management, governance, advocacy and leadership



Mr. Mark J. Obuya, Trustee

Born in 1957 and appointed Trustee on 20/02/2017. He holds a Master of Laws degree in Law, Science and Technology and a Bachelor of Laws degree both from the University of Nairobi. A Diploma in Law from the Kenya School of Law. He is an Advocate of the High Court of Kenya. He is also an Associate of the Chartered Insurance Institute (ACII) London, a Certified Environmental Impact/Risk Auditor and a Patent Agent (KIP). He is a seasoned and highly experienced professional with a solid knowledge of the law, insurance, finance, investments and social security. He is currently the National President of the Federation of Kenya Employers and the Chief Executive Officer of Corporate Insurance Company Limited.

Dr. Damaris Muhika, Trustee

Appointed trustee on 03/02/2018. Was born in 1977. She holds a Doctor of Philosophy degree in finance and business administration from Jomo Kenyatta University of Agriculture & Technology; an MBA (Africa Nazarene university); Bachelor of commerce (African Nazarene university). She is experienced in labour matters, currently serving as programs coordinator at the Central Organization of Trade Unions. She is also involved in Lecturing and Accounting.



Prof. Marion Mutugi, EBS - Trustee

Born in 1959, Prof. Mutugi was appointed on 06/06/2018. She is a medical geneticist with a PhD from the University of Edinburgh Scotland, an MSc from the University of Nairobi and an Executive MBA from JKUAT. A scholar and researcher, Prof. Mutugi has held various management and governance responsibilities in national and international organizations. She is a member of professional associations in her discipline as well as the Institute of Directors of Kenya and the Kenya Institute of Management.

Dr. Anthony Omerikwa, MBS, CEO / Managing Trustee

Born in 1977 and appointed Chief Executive Officer/ Managing on 21/11/2019. He holds a PhD; Ed.S; MSc (HRD); Bachelor of Arts (Economics); and Diploma in Management Information Systems. Experienced in the Public Sector having worked in various Government Agencies. Dr. Omerikwa is a member of the Institute of Directors and the Kenya Institute of Management.



MANAGEMENT TEAM



Dr. Anthony Omerikwa, MBS
CEO / Managing Trustee

Born in 1977 and appointed Chief Executive Officer/ Managing Trustee on 21/11/2019. He holds a PhD; Ed.S; MSc (HRD); Bachelor of Arts (Economics); and Diploma in Management Information Systems. Experienced in the Public Sector having worked in various Government Agencies. Dr. Omerikwa is a member of the Institute of Directors and the Kenya Institute of Management.

Mr Austin Ouko

Ag. General Manager Corporate Affairs



Born in 1981. Mr. Austin Ouko is an Advocate of the High Court of Kenya and a registered Certified Public Secretary with over a decade experience in transactional, corporate and commercial law in both public and private companies. Austin is a Fellow of the Chartered Institute of Arbitrators UK. He is a member and an Accredited Governance Auditor with the Institute of Certified Secretaries, Kenya. He holds a Master of the Science of Law (JSM) degree from the prestigious Stanford University Law School. He also holds a Master of Laws degree (LL.M) in Public Finance and Financial Services Law and a Bachelor of Laws (LL.B) degree both from the University of Nairobi. He holds a post graduate diploma in Law from the Kenya School of Law. A post graduate diploma in Domestic Arbitration awarded by the Chartered Institute of Arbitrators, UK and a post graduate diploma in International Commercial Law awarded by the College of Law of England and Wales. He has published several articles in referred journals in corporate governance. Currently, he is the Acting General Manager (Corporate Affairs/Corporation Secretary) at the National Social Security Fund (NSSF) and previously worked as a Senior Legal Officer at the Standard Group Limited.

Mr. Moses Cheseto

Ag. General Manager Finance & Investments



Born in 1974. He holds an MA in Planning; a BA in Land Economics. He is a member of the Institute of Certified Financial Analyst (CFA), Registered real estate valuer and full member of Institute of Surveyors of Kenya Lead expert in Environmental Impact and Assessment Audit (EIA). He is responsible for the identification & implementation of Finance & Investment strategic objectives/policies; Management Finance & Investment portfolio; Formulation of strategies to maximize return on members' funds; and development and review Financial/ Investment policies. He achieves this by supervising the following departments: Finance, Capital & Money Markets, Property Development, and Property management.



Mr. Mohamoud Sebit
Ag. Manager, Audit and Risk

Born in May 1967. He holds BA (Economics). He is a qualified Internal Auditor and a member of the Institute of Internal Auditors, the Information Systems Audit and Control Association, the Association of the Certified Fraud Examiners and the Ethics Institute of East Africa.

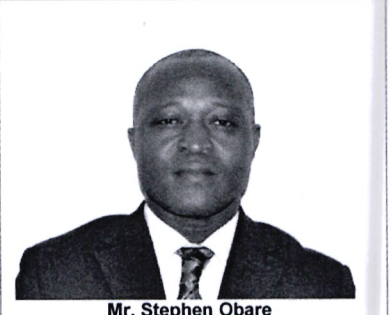
He is also an Accredited Internal Audit Quality Assessor and a qualified Risk Management and Control Professional. He reports to the Board of Trustees on risk and audit matters of the Fund.



Mr. George Mwandembo
Ag. Manager, Procurement

Born in January, 1966. Holds a BA (Economics & Government), CIPS, CIPP, MCIPS, MKISM, MIAPM. Has 29 Years experience in management including 13 years in Procurement & Supply Chain Management.

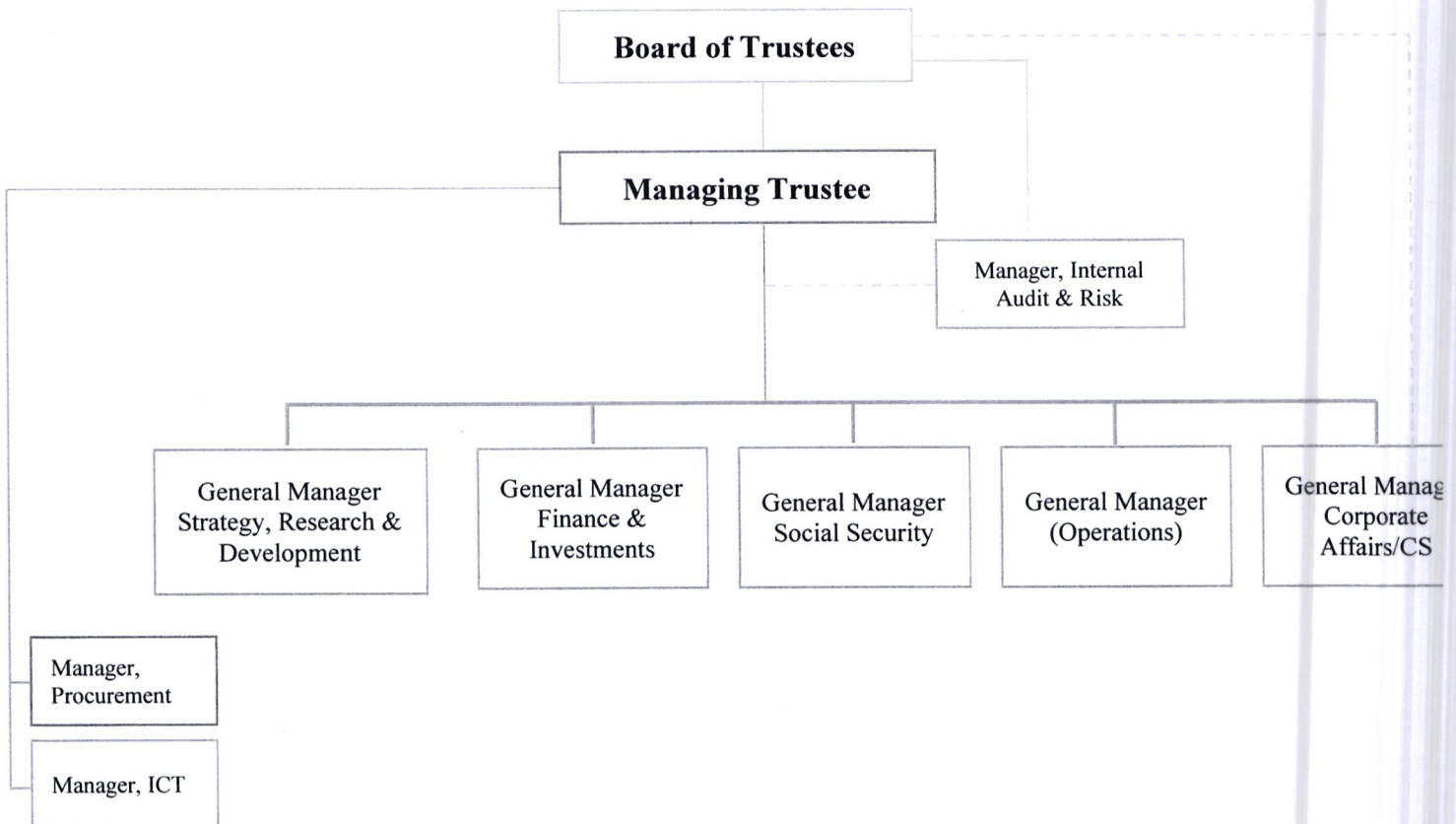
He reports directly to the CEO and is charged with implementing the Public Procurement and Asset Disposal Act 2015, and providing leadership in procurement and disposal of goods and services for the Fund.



Mr. Stephen Obare
Manager Information and Communication Technology

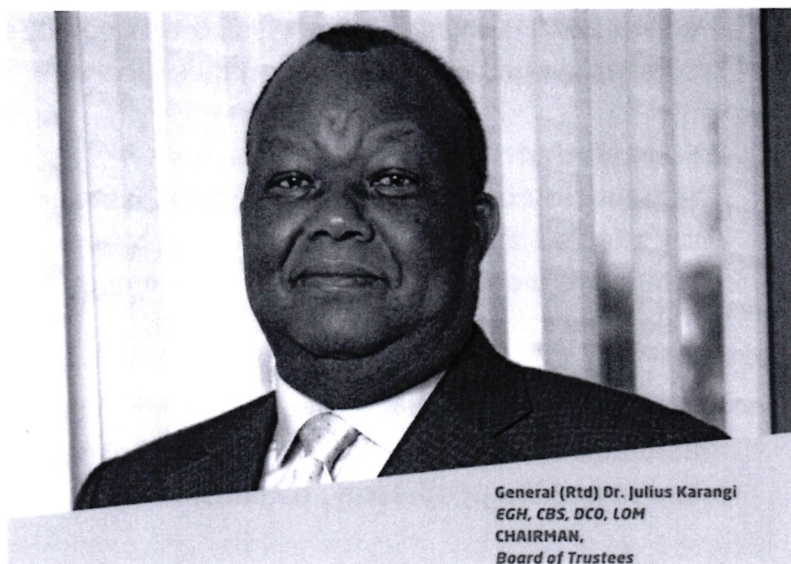
Born in 1980. Holds an M.Sc., B.Sc. in Computer Science (UoN); Senior Leadership Development Programme (KSG); New Managers Leadership Program (Strathmore University); Corporate Governance (Center for Corporate Governance). Certified in a number of technologies including SAP Basis, CBAP, Oracle (OCP, OCA), Cisco (CCNP, CCNA), Microsoft (MCP, MCSA, MCSE), ITIL, PRINCE2, CEH, Fortinet, CISA, etc.

Reporting to the CEO, he is responsible for overseeing the overall strategic direction, management and operation of the Fund's ICT systems consistent with the strategic and operational objectives of the Fund.



CHAIRMAN'S STATEMENT

I am pleased to report that NSSF delivered a good performance during the financial year 2019-2020. The results are attributed to the prudent shift towards treasury bonds and improvements in operational efficiency and excellent customer service to our members, all key initiatives outlined in our 2019-2022 Corporate Strategic Plan (CSP).



General (Rtd) Dr. Julius Karangi
EGH, CBS, DCO, LOM
CHAIRMAN,
Board of Trustees

Operating Environment

In 2010, Kenya effected a new constitution that guaranteed all Kenyans the right to Social Security. However, the Social Security participation rate in Kenya stands at 10% because of the poor savings culture leading to a high dependency rate in Kenya today. In the last decade, Kenya has made significant political, structural and economic reforms that have driven and sustained its economic growth, placing Kenya as one of the fastest growing economies in Sub-Saharan Africa.

The following is a summary of the economic activities for the just ended financial year 2019/2020.

Global Economy

The Global economic activities slowed down in the year 2019 after a strong growth in the year 2017 and early 2018. According to the World Bank, the pace of global economic activity remains weak, effects of Covid-19 pandemic and geopolitical tensions have led to an increase in uncertainty on the future of the global trading system and International cooperation. This has had an effect on business confidence, investment decisions and global trade making the outlook seem precarious thus affecting the Fund which could have performed even better.

Kenyan Economy

In the year 2019, Kenya's economic growth averaged 5.7% despite threats of drought and continued subdued private sector investment that was expected to drag its growth. In the first quarter, the economy picked up as reflected by real growth in consumer spending and stronger investor spending as reported in the 19th Kenya Economic Update (KEU). However, the delay in the long rain season affected the planting season resulting in poor harvest, which

was also affected by the locust invasion, leading to food shortages. The growth forecast for the year 2020 stands at 5.9% which the Fund hopes to leverage on, however Covid-19 has presented an unavoidable performance gloom.

Equity Market

The Nairobi Securities Exchange (NSE) 20 share index dropped by 7% in the year 2019, this drop affected the Fund because this is where we invest heavily. The decline has been attributed to weak financial results by some of the listed counters and poor performance in the equities market in the first half of 2019.

In 2019, 10 companies issued profit warnings to investors compared to 8 companies in 2018, attributable to the tough macro-economic environment during the year with the limited access to credit and tough operating conditions.

Bond Market

Trading activity in the domestic bond secondary market decreased by 31.11% during the week ending July 25. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds generally declined. However, the erratic market performance causes some paper loss to the Fund but we steered strongly to increase the Fund value by 6% from Kes 235.07 billion to Kes 249.65 billion as at the close of this financial year.

Interest Rates

The Central Bank of Kenya retained interest rates at an annual rate of 7% after it was noted that the inflation rate is well anchored and projected to remain within the target range of 2.5-7.5% in the near term. The annual inflation rates stood at 5.2% in 2019.

Financial Performance highlights

In the just ended financial year, the Fund recorded an 8% net increase in scheme funds at Kes 14.58 billion up from Kes 13.38 billion recorded in the previous financial year, thereby leading to the 6% increase in Fund value. The growth is driven by the prudent shift towards treasury bonds and operational efficiency.

Economic Projections

According to projections by the World Bank and International Monetary Fund (IMF), Kenya's GDP growth is expected to decelerate from the annual average of 5.7% to 1.5% in 2020 as the economy has been hit hard through supply and demands shocks on external and domestic fronts. The effect of the COVID-19 pandemic and the locust invasion is also expected to have even a more negative impact on food security and the agricultural sector

which will definitely affect the Fund's general performance. However, we have put in place mitigations to ensure that members get value for their savings with us.

Corporate Strategic Plan (2019-2022)

On November 1st 2019, the Board of Trustees approved a three-year Corporate Strategic Plan 2019-2022 that is transformative and clearly defines the Fund's future plans. The plan is also expected to facilitate the re-engineering of the Fund into a more robust, customer centric and high performing institution as stated in our vision, mission and Core values.

Following the launch of the CSP the Fund has, within a very short period of time, fulfilled one of its key mandates which is to extend Social Protection to include the informal sector Habahaba product, in keeping with the Kenyan Constitution.

According to the Kenya National Bureau of Statistics (KNBS), Kenya has a growing informal sector which generates approximately 83.6% of total employment. The informal sector is heterogeneous and most workers may not see the benefits provided by Social Protection programmes. It is the backbone of the economy but due to lack of Social Security, a big percentage is exposed to vulnerabilities such as old age, sickness and even death.

This was identified as a key area of growth with the Fund entering into partnerships with organized groups using the Informal Sector product "Habahaba" operated on USSD *303# which was launched on November 15th 2019. Since then, the Fund has become engaged in developing products tailor-made to each organized group, from market vendors, digital Taxi operators, Boda Boda Associations and Matatu operators' groups.

Albeit still in its infancy, I believe that this new product will altogether add a new dimension to Social Security, investment and saving in our country by protecting some of our most vulnerable and sometimes overlooked citizens.

With Habahaba, as a Fund we are not only offering pension to these groups, but we have strategically come along with partners to offer value to our members.

Conclusion

On behalf of the Board of Trustees, I would like to thank our external stakeholders, the Management and Staff of NSSF for the efforts you have made in transforming and improving the Fund, as these achievements could have only been made possible through your hard work and contribution. It with the support of these valued stakeholders that the Fund is going strong even in the storm of Covid-19 pandemic. The Board is confident that the Fund will deliver on its mandate to position it as the trusted Social Security provider.

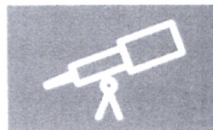
Gen. (Rtd) Dr. Julius W. Karangi, EGH, CBS, DCO, LOM 'ndc' 'psc' (K)
Chairman, Board of Trustees

Strategic Framework



Mission

To provide adequate income replacement to members through prudent investments and prompt payment of benefits.



Vision

To be the trusted social security provider.

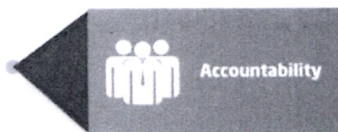
Core Values



Customer Focus



Integrity



Accountability



Transformational



Care

REPORT OF THE CHIEF EXECUTIVE OFFICER



I'm delighted to be presenting NSSF's 2019/2020 Annual Financial Statement on behalf of the Board of Trustees. This annual report showcases performances of the National Social Security Fund (NSSF) over the past year. NSSF operates under an act of parliament Act No.45 of 2013 and is Regulated by the Retirement Benefit Authority. The mandate of the Fund is to Register members, collect contributions, manage records, invest contributions and pay benefits in a timely manner when they fall due.

To execute this mandate, the Board of Trustees rolled out a three-year Corporate Strategic Plan to drive the Fund towards improved effectiveness and remaining the trusted Social Security Provider.

The 2019-2020 Corporate Strategic Plan is guided by the following thematic areas:

- Growth;
- Culture and Governance;
- Customer Engagement and Service Delivery;
- Competitive Products and Services; and
- Corporate Image (Brand).

The Strategic plan focuses on improving NSSF's performance by ensuring that the Fund delivers on its short- and long-term key stakeholder objectives, while, at the same time, maximizing its contribution to society.

Financial Results

The Chairman presented the financial results for the year 2019/2020 which highlighted an improvement in performance as highlighted below:

- Total net income from investment increased by 7% to Kes 9.61 Billion up from Kes. 8.93 Billion previous year.
- A net increase in scheme funds of 8% at Kes 14.58 billion up from Kes 13.38 billion recorded in the previous financial year.
- The fund value increased by 6% from Kes 235.07 billion to Kes 249.65 billion as at the close of this financial year.

- Member contributions decreased by 2% from Kes 15.10 billion, in prior year, to Kes 14.73 billion due to the COVID-19 pandemic that resulted into massive lay-offs of employees.
- Benefit payments of Kes 4.43 billion were paid, a 10% decrease from the claims paid in the previous year of Kes 4.94 billion.
- The Funds operating costs reduced by 6% to Kes 5.41 billion down from Kes 5.77 billion the previous year.

This performance underscores our commitment to delivering a better future for our members. Details on the performance indicators can be found in the subsequent pages of this report.

Efficient Management of Resources

By having a structured and robust Strategic Performance Management Systems, proper planning and use of technology where possible, the Fund ensures efficient allocation and use of resources. The Management also continues to embrace the Board of Trustee's theme of maximum returns at minimal costs. As reported earlier, the Fund's operating costs reduced reflecting effective management of costs and the successful integration of technology.

Investment Activities

The Fund's investment is diverse and spread across various Asset classes as guided by the Fund's Investment policy and the Retirement Benefits Authority (RBA) regulations. With guidance from the five Fund managers, the activities of the Fund are monitored by the Board of Trustees through the Management, custodians and the actuary.

Technology

The Fund continues to embrace technology to improve and boost productivity of our workforce while providing a high quality and efficient customer experience. Our Employers and members continue to use the e-service portal to access account information online. During this financial year, the Fund introduced a USSD option *303# that enables member registration, contribution collection, T.P.S payment and follow up of benefit application. Members also have the option to make cashless payment through M-PESA and bank integration is automatically done so members no longer need to visit our offices for receipting. The introduction of EDMS, a benefits payment platform, is also expected to improve the turnaround time for benefit payments. These improvements ensure that the Fund offers better services to our members and stakeholders.

Customer Focus

As one of our core values, the Fund is committed to offering a high-quality customer experience. The Fund has endeavoured to become a customer centric institution by:

- Promoting ease of use of NSSF services
- Building relationships with stakeholders
- Deploying appropriate and user-friendly payment systems
- Instituting an effective complaints process
- Introducing member loyalty programs and;
- Ensuring benefits portability across EAC countries

The Management is also committed to adopting best management practices by applying performance planning, appraisal systems through Balance Score Cards, regular performance reviews and regular ISO surveillance audits to facilitate good governance. In 2019, the NSSF became the first Public Sector Institution to be certified on the Integrated Management System (IMS) and the first organization to be certified by KEBS on the Knowledge Management Standard (KMS). The acquisition of this IMS has positioned the Fund to embrace a new set of values that together are designated to win the trust of our stakeholders while securing the Funds leadership position in Social Security.

Saving for Retirement

With the launch of the Corporate Strategic Plan 2019-2020, one of our mandates is to increase membership coverage to Kenyans in the Informal Sector. As the Chairman stated, the participation rate for Social Security in Kenya is still low, at 10%, highlighting that there still remains a high percentage of Kenyans who still do not consider retirement savings as a high priority.

It has also been noted that the informal sector lacks proper channels for contributing to pension schemes. According to the World Bank report on Social Security uptake in Kenya, the informal sector is categorized as the 'missing middle', not poor enough to be eligible for Social Security and not well-off enough to be part of a Social Security program. It is for this reason that the Fund designed Haba Haba in a way that enables small and low-income earners afford contribution. Critical to this intervention is the partnerships with other government agencies to design and implement packages that will impact and empower members in the informal sector escape poverty in their old age.

Conclusion

In conclusion, I would like to thank the Board of Trustees, Management and Staff of the Fund for the impressive performance recorded during the Financial Year. Not forgetting the support and cooperation from our members and stakeholders. As a Fund, our ambition

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

is to drive a high-performance culture, remaining true to our core values and to ensure our members retire in dignity.

Additionally, I also urge our employed members to consider increasing their savings through voluntary top-ups in addition to the amount required by the law. With the USSD, saving has been made easier and more transparent.



Dr. Anthony Omerikwa, MBS
CEO/MANAGING TRUSTEE

Strategic Themes



REVIEW OF NSSF’S PERFORMANCE FOR THE YEAR 2019/2020

During the year under review The Fund developed a new strategic plan putting into consideration the changes in The Fund’s operating environment and the need to strategically position the Fund as a first pillar in provision of Social Security. The Fund reviewed its vision statement with the view of aligning it to speak to the needs of the customers, enhanced the mission statement and introduced customer value proposition and inclusion of transformation as one of our core values. The NSSF Act No. 45 of 2013 seeks to provide basic social security for its members and their dependents for various contingencies as well as increase membership coverage of social security scheme. During the period under review The Fund developed “*habahaba*” targeted at the informal sector due to the fact that Kenya has one of the highest levels of old age dependency in the world, with a dependency of 81% while old age poverty rate stands at 55 percent.

2019-2022 Corporate Strategy in Summary

Vision	To be the trusted Social Security provider					
Mission	To provide adequate income replacement to members through prudent investments and prompt payment of benefits					
Strategic Pillars &	Growth	Product/Offering	Customer Engagement & Service Delivery	Internal Processes	Corporate Image	Culture & Governance
Strategic Objectives	To significantly grow the fund actuarial values	To develop a portfolio of value adding products and services	To ensure customer centricity	To achieve and sustain high operational efficiency	To enhance the brand of the Fund	To improve The Fund’s performance, culture and corporate compliance
Core Values	Customer Focus, Integrity. Accountability, Transformational, Care					

New Business Model

In order to support these and other initiatives that the Fund is moving from the traditional business model to a more value driven approach whereby as A Fund we can build an ecosystem for our customers to connect their needs despite dissimilar services offered by other organizations. The Fund has adopted a new business model in response dubbed “*Strategic Partnerships*” to extend our presence in the value chain. The model provides opportunities for partnership with both private and public organization with a view of providing complementarities.

Strategy Implementation and Monitoring

The Fund has adopted the Balance Scorecard, a performance management system, as a tool for effective operationalisation and monitoring of the strategy. The Fund’s focus in the strategy will be on six identified objectives which are organised around the scorecard perspectives for balanced growth: financial, customers and stakeholders, internal

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

processes, and culture and Governance. To successfully implement the strategy, we have developed an effective framework prioritising on the objectives, key performance indicators and initiatives to help us deliver value to our customers. The score card is integrated with the Performance Contract and has been aligned with the Performance Appraisal system, staff are appraised on a quarterly basis to monitor progress and performance.

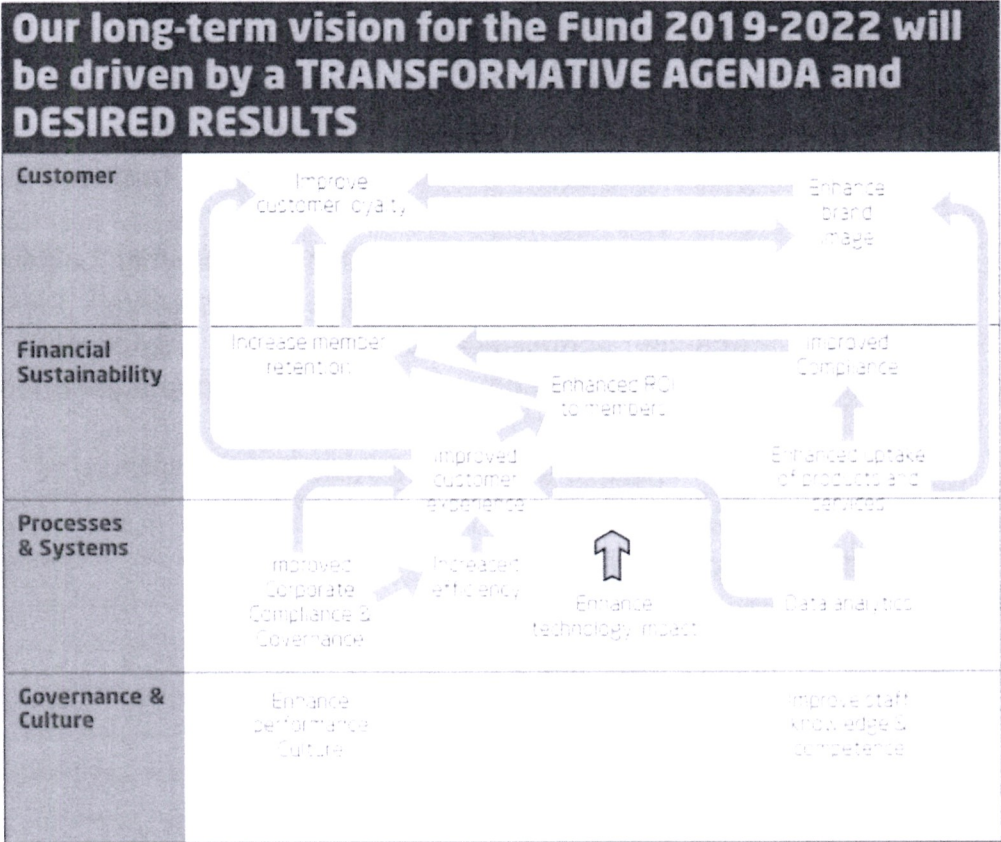
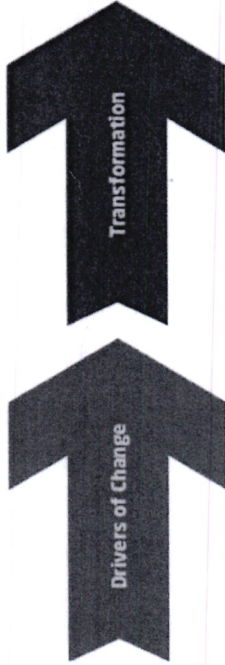
STRATEGIC PILLAR	OBJECTIVE	ACTIVITIES	KEY PERFORMANCE INDICATORS	TARGET	ACHIEVEMENTS 2019/2020 FY
Growth	To significantly grow the Fund actuarial values	a) Follow through with court process to conclude cases b) Seek Alternative Dispute Resolution to operationalize Sections 18, 19, 20 & 71 of the NSSF Act No. 45 of 2013. c) Grow the coverage of the Informal Sector d) Increase Compliance. e) Enhance and diversify Investment Portfolio.	Fund Value from 234 billion in 2018/2019 to 264 Billions	264	249.65
			Annual Contributions (B)	18.09	14.73
			Investment Income (B)	21.15	20.38
			Operating Cost as a % of realized income	2.53	27
			Active Informal Sector Members (Million)	0.3	58,444
Customer Engagement & Service Delivery	To Ensure Customer-Centricity	a) Design customer-focused products and services. b) Effectively deliver information and products/services through multiple channels. c) Ensure benefits portability across EAC countries.	Active Members	3.6	2.51
			TAT to pay Claims (Days)	22	37
			Member ROI (%)	7	4%
Products and Services	To Develop a Portfolio of Value-Adding Products and Services	a) Carry out research to enhance existing products and services guided by customer needs. b) Diversify the Fund's products portfolio	New Products	2	2

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Internal Processes	To achieve and sustain high operational efficiency	a) Continuously review business processes for increased efficiency. b) Digitize key manual processes of the Fund and align to Corporate Strategic Plan c) Develop and implement a records management strategy	Administration cost to Fund value (%) Status Quo	2.7	2.17%
			Number of manual processes automated	1	2
			No. of existing systems upgraded in line with re-engineered processes and changing business needs	2	2
			Extend of meeting external service charter targets (%)	79%	75
			No. of users trained in ICT competency	50	595
			No. of users trained on records management	90	440
			Time taken to retrieve records	-5%	
			Culture and Governance	To improve the Fund's performance Culture and corporate compliance	a) Develop and implement a performance-based reward system b) Ensure people are 'right-fitted' to their jobs. c) Institutionalize Knowledge Management d) Develop and implement a culture that inculcates the Fund's core values into the behaviour and motivation of employees. e) Adopt best practice efficient-oriented operational model. f) Enhance the Corporate Compliance of the Fund.
Legal Compliance (%)	100	100%			
Average employee performance rating	4.1	4.2			
Contributions debt to Member Funds %	0-4%	3%			
Investments debt to Investments value (%)	0-5%	3%			

In a Nut Shell



CORPORATE GOVERNANCE STATEMENT

Corporate governance and its relationship to risk oversight is a continuing concern in present-day business. The Fund is committed to the highest standards of corporate governance and business ethics. Recognizing that good corporate governance is key to the enhancement of our business prospects, the Board of Trustees endeavours to discharge its mandate in the best interest of the Fund, her members, business partners and the public.

Even though the Board of Trustees delegates the authority for day-to-day management of the Fund to the CEO / Managing Trustee, it retains overall responsibility for the Fund's financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring efficient and effective management of the business.

ATTENDANCE OF BOARD MEETINGS AND REMUNERATION

Trustee	Date Appointed	Board Position	FIS S	HRL S	A & R	Full Board	Other Meetings	Board Allowances	Other	Total
Gen Rtd. Julius Karangi	06.06.2018	Chairman				7	5	600,000	4,047,840	4,647,840
Hon. Joseph Lekuton	06.06.2018	Member	8	6		6	12	1,600,000	5,352,654	6,952,654
Prof. Marion Mutugi	06.06.2018	Member		5	5	5	4	950,000	1,300,000	2,250,000
Dr. Geoffrey Mwau	01.01.2019	Member	2			1	1	200,000	600,000	800,000
Dr. Francis Atwoli	17.09.2018	Member		4		6	1	550,000	823,333	1,373,333
Mrs. Jacqueline Mugo	17.09.2018	Member		4	4	5	7	1,000,000	1,023,333	2,023,333
Dr. Damaris Muhika	03.02.2018	Member	1		5	6	14	1,300,000	3,167,712	4,467,712
Mr. Mark Obuya	20.02.2017	Member	8	5		6	16	1,750,000	3,094,532	4,844,532
Eng. Peter Tum	01.03.2019	Member	4		2	6		600,000	850,000	1,450,000
Prof. Galgalo Barako	19.06.2019	Member	5	1	4	5	10	1,250,000	750,000	2,000,000
								9,800,000	21,009,404	27,659,404
Other Board Expenses										
Board of Trustee Insurance										1,025,484
Board of Trustee Trainings and seminars bookings										4,383,686
Board of Trustee Travelling and Accommodations										3,286,790
TOTAL BOARD EXPENSES										39,505,364

SUCCESSION PLANNING AND BOARD CHARTER

Board members are appointed in a staggered manner, with a two-month hiatus. This provides stability in oversight of the Fund by ensuring that there is always a proportion of trustees on the board with requisite institutional memory concerning, not only the business of the Fund, but also its long-term strategic perspective. The board has a Board Charter and an approved Governance Framework. These provide trustees with the guiding principles to enable the effective discharge of their duties in overseeing the affairs of the Fund.

THE APPOINTMENT AND REMOVAL OF TRUSTEES

The National Social Security Fund Act, 2013, guides the appointment and removal of Board of Trustees. The Board is fully constituted with nine Trustees in a tripartite arrangement. Five members, including the Chairman, are nominees of the Government; two are nominees of the most representative employers' organization, and the other two are nominated by the most representative workers' organization. Of the five nominated by the Government, three are independent persons appointed by the Cabinet Secretary in charge of social security by virtue of their knowledge in matters relating to administration of scheme funds, actuarial science, insurance, accounting and auditing or law.

The Act further stipulates circumstances under which a trustee can be removed from office. The circumstances include absenteeism from three consecutive Board meetings, without permission of the chairperson and plausible reason. If adjudged bankrupt or enters into a composition or arrangement with his creditors. If he is disqualified under any provision of the Constitution or any other written law from holding a public office. If he is convicted of a criminal offence, which brings to question his capacity or integrity to serve as a Trustee, and sentenced to imprisonment for a term of six months or more. If incapacitated by prolonged physical or mental illness. If they are unable or unfit to discharge their responsibilities under the Act.

ROLES AND FUNCTIONS OF THE BOARD

The Board of Trustees is charged with the responsibility of establishing the long-term goals and strategies of the Fund and ensuring that they are implemented. This is achieved through determining the vision, mission, core values, and broad policies of the Fund and ensuring that structures and policies including organization systems, technology, and human resources are in place to achieve the Fund's purpose and objectives. The Board sets targets, monitors performance and determines the key performance indicators of the Fund through three established board committees. The committees are Finance, Investment and social Security; Human resource, legal and strategy; and Audit & Risk with clear terms of reference.

The Board is also expected to exercise objective judgment of its performance, independent from the Management, but with sufficient management information. This involves assessing its own performance and effectiveness at both Board level and individual Trustees. In its fiduciary role, the Board ensures that procedures and practices are in place to protect the Fund' assets and reputation. It therefore identifies key risk areas and key performance indicators of the Fund's mandate, constantly monitoring, and reviewing processes and procedures to ensure the effectiveness of the Fund's internal systems of control.

REMUNERATION OF THE BOARD OF TRUSTEES

The remuneration of the Board of Trustees is as per Section 13 of the NSSF Act of 2013.

INDUCTION AND TRAINING

On appointment to the Board, the Trustees have the benefit of an induction programme aimed at deepening their understanding of the Board, and the business environment in which the Fund operates. This includes background materials, meetings with senior management, and visits to the Fund's facilities. The induction programme is structured to cover their powers, responsibilities, the Board structure, membership, and processes. Additionally, knowledge of the Fund's business processes, corporate strategies, management, and key human resources of the Fund, knowledge of the financial documents, annual accounts, and the Trustees' Reports form part of the induction.

Further, as part of the induction programme, newly appointed Trustees receive the Governance Framework, which contains the essential Board information. Training remains continuous to update Trustees with changes and trends in the Fund's business, which include changes and trends in the economic, political, social and legal environment generally.

BOARD COMMITTEES



Dr. Damaris Muhika – Chairperson, Audit & Risk

Audit and Risk Committee

Members:

- | | |
|-----------------------------------|---------------|
| 1. Dr. Damaris Muhika | - Chairperson |
| 2. Prof. Marion Mutugi, EBS | - Member |
| 3. Prof. Dulach Galgalo Barako | - Member |
| 4. Mrs. Jacqueline Mugo, OGW, MBS | - Member |
| 5. PS State Department for Labour | - Member |

The Committee is entrusted with the responsibility of ensuring overall compliance, governance and risk management. It evaluates adequacy of management procedures regarding risk management, control, and governance. It reviews and approves the audit charter and the internal audit annual work plans.

Further, the committee reviews internal and external audit findings, recommends, and proposes corrective and preventive action. To maintain strong internal controls, the committee reviews the systems established to ensure sound public financial management as well as compliance with policies, laws, regulations, procedures, plans and ethics. Initiating special audit or investigation on any allegations, concerns and complaints regarding

corruption, lack of accountability and transparency. This is done in consultation with the accounting officer.

Finance, Investments and Social Security Committee (FISS)



Hon. Joseph Lekuton - Chairman FISS

Members:

- 1. Hon. Joseph Lekuton - Chairman
- 2. Dr. Francis Atwoli EBS, MBS, (NOM, DZA) - Member
- 3. Mr. Mark J. Obuya - Member
- 4. Prof. Durach Galgallo - Member
- 5. PS State Department for Labour - Member

The Committee assists the Board in fulfilling its core mandate besides directing the investment, financial and Information Technology function of the Fund. It achieves this by ensuring high standards of customer care, member registration, payment of benefits, marketing, including new product development, and IT strategy. The committee also oversees member contributions, Investment Policy, and performance of the Fund. Further, the committee is involved in review of budgets, financial statements, and accounting policies.

Human Resource, Legal & Strategy Committee (HRL&S)



Prof. Marion Mutugi - Chairperson HRL&S

Members:

- 1. Prof. Marion Mutugi EBS - Chairperson
- 2. Mr. Mark J. Obuya - Member
- 3. Dr. Francis Atwoli EBS, MBS, (NOM, DZA) - Member
- 4. Mrs. Jacqueline Mugo OGW, MBS - Member
- 5. Hon. Joseph Lekuton - Member

The Committee oversees the Fund on matters relating to legal and Human Resource Development. It also provides guidance on matters relating to the overall corporate strategy of the Fund. It specifically provides review and guidance on human resource policies, legal cases, monitors strategic changes in the Fund, and oversees corporate governance practices.

The Chairman of the Board may opt to attend any of the Committee meetings upon invitation by the respective Chairpersons of the Committees.

BOARD AND MEMBER PERFORMANCE

The board formulates and approves the annual work plan to guide the activities of the Board including meetings of the Board and committees throughout the year. For the financial year under consideration, the current board has scheduled a board and member performance evaluation in the second quarter of 2019/2020.

CONFLICT OF INTEREST

The Fund has a procedure for handling conflict of interest. Trustees and staff who have an interest on a matter under deliberation or are engaging in business activities that are directly connected to or are in conflict with the interests of the Fund must declare it to either the Board or the Management. This is in addition to complying with any directions to avoid the conflict, which includes refraining from participating in any deliberations with respect to the matter of conflict. In addition, staff are required not to engage in private business during official working hours.

ETHICS AND CONDUCT

The NSSF has an approved Code of Conduct and Ethics that establishes standards of ethical conduct and behaviour for Trustees and staff. Observance of the Code ensures that the Fund maintains integrity and impartiality in public service. The Code supports the regulations governing the discipline and the general conduct of public officers. The Fund has established a fully-fledged Ethics and Integrity Department, which monitors and advises on the ethical conduct of staff and sensitises them on a regular basis. Committees have been established in all departments and branches to spearhead ethical behaviour.

GOVERNANCE AUDIT

The Fund has an internal Governance audit mechanism and matrix to track the implementation of the Fund's governance framework. During the Financial year 2019/2020, the Fund has planned a comprehensive external governance audit.

The Board of Trustees oversees accountability and audit function, through its Audit and Risk Committee, by reviewing and approving the internal and external audit findings, instituting preventive measures, systems and internal controls. The committee initiates special investigation of allegations on corruption and accountability. It also undertakes analysis of various types of risks by establishing Risk checklist that is reviewed regularly.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Key Stakeholders of the Fund

- a) The government of Kenya, whose policies and legislative actions directly or indirectly affect the operations of the Fund.
- b) The Federation of Kenya employers whose decisions may have impact on the contribution receivable from their members.
- c) Employees and Central Organization Trade Unions: COTU's decisions affect employee relations.
- d) Citizens, Customers, Suppliers and other strategic business partners

NSSF STAKEHOLDER ANALYSIS

STAKEHOLDER	ROLE/RESPONSIBILITY	WHAT THEY CAN DO FOR NSSF	WHAT NSSF CAN DO FOR THEM
Employers (National and County Governments and Private Sector)	To support and promote social security	To register with NSSF, Remit employee deductions, Availing records for inspection as required	Employer registration, Issue Certificate of Compliance, Avail employers Statements, Acknowledge payments – receipts, Good governance, Employee registration, Provide information
Members	Register with NSSF.	Remit monthly contributions (Voluntary members), Promote and protect public interest.	Member registration, Member Statement, Benefits Payment, Good Governance, Better Returns, Provision of information, Promote and protect member interest.
Ministry of Labour and Social Protection	To formulate, coordinate and implement sound labour and employment policies for the attainment of social justice, industrial peace and enabling environment for employment creation	Policy formulation and advisory	Corporate Strategic Plan, Signing Performance Contracts, Submission of quarterly, performance reports
Ministry of Finance (National Treasury)	Formulate and implement macro-economic and fiscal policies.	Approval of annual budget, Represent the interest of the Government	Submit annual budget, submit quarterly financial reports, Submit quarterly performance reports, Implementation of policies
Federation of Kenya Employers	A platform for the articulation of key concerns of the employers in Kenya in the areas of socio-economic development.	Represent interests of employers, Policy support.	Availing performance reports
Central Organization of Trade Union (COTU)	Promote, Safeguard and Improve the welfare of all Workers through Social	Represent interests of employees, Policy support.	Availing performance reports.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

	Dialogue and Effective Representation.		
Retirement Benefits Authority (RBA)	To proactively promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector.	Safeguard and supervise NSSF, Issue Certificate of compliance.	Submit performance reports, Submission of Deeds and Rules
Kenya Bureau Of Standards (KBS)	Provide Standards-based solutions that promote innovation, trade and quality life.	Certification on Management Systems	Conform to the requirements of: ISO 9001:2015; ISO 30401:2018 and ISO 27001:2013 Standards.
Ethic & Anti-Corruption Commission (EACC)	To promote integrity and combat corruption through law enforcement, prevention and education.	Investigate corruption matters, Create awareness on corruption prevention	Submit quarterly Performance Reports on corruption eradication indicator.
Public Procurement Oversight Authority (PPOA)	Facilitate access to procurement opportunities by enabling regulation that fosters value for money for national socio-economic development	Compliance with the Procurement Act	Submission of report on YAGPO, Submission of report on tenders above kshs.5, 000,000.00 etc.
Kenya Revenue Authority(KRA)	Revenue Collection	Information sharing	Remission of tax deducted
Judiciary	Adjudication of criminal and civil cases	Adjudication	Provide evidence
Office of the Auditor General	Audit of Public Revenues and expenditure	Undertake Audit of NSSF operations	Provision of information
Development Partners	Provide technical support Provide financial support Share information	Provide technical support, provide financial support, Share information	Information sharing
Electronic & Print Media	Disseminate information	Dissemination and sharing of anticorruption information	Provide information
The Public	Support good governance initiatives	Provide information to support NSSF mandate	Promote and protect public interest, Awareness creation on Social Security
National Hospital Insurance Fund (NHIF)	To contribute towards universal health coverage in the provision of affordable, accessible, sustainable and quality health insurance through strategic resource pooling and healthcare purchasing in collaboration with stakeholders	Information sharing	Information sharing
National Environmental	Management of the environment, environmental policy	Approvals of all Development	Compliance to the requirements

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Management Authority		projects, Compliance Certificate	
Financial Institutions (CBK KCB, NBK, Co-operative Bank)	Banking	Safe custody of cash, Bank statements, Declaration of interests	Cash/Cheque Deposits, Cash withdrawals
Ministry of Lands	Land administration	Conduct land searches, Issuance of titles	Payment of Land rates
National Assembly (PIC)	Legislation and oversight	Oversight operations	NSSF Implementation of recommendations

MANAGEMENT DISCUSSION AND ANALYSIS

A REPORT ON THE OPERATIONAL AND FINANCIAL PERFORMANCE

The Fund's operational and financial performance is based on the 2019-2022 Corporate Strategic Plan, Budget for 2019/2020, and the set targets as per 2019/2020 Performance Contract signed between the Board of Trustees and the Principal Secretary, Department of Labour of the Ministry of Labour and Social Protection, cascaded to management.

During the year ending 30 June 2020, contribution of **Kes 14.7 billion** was collected from 2.6 million members. This was 2% lower than the **Kes 15.1 billion** collected in the previous year. Benefit payments of **Kes 4.43 billion** were paid with respect to **76,350** claims during the year. This is 10% decrease from the benefit claims paid in the previous year of **Kes 4.94 billion**.

The net income from investments was **Kes 9.61 billion**, or 7% higher than the **Kes 8.93 billion** in the previous year. This was due to prudent shift towards treasury bonds. The Fund's operating costs during the year amounted to **Kes 5.41 billion** or 6% lower than **Kes 5.77 billion**.

The Fund recorded a net increase in scheme funds of **Kes 14.58 billion** up from **Kes 13.38 billion** recorded in the previous financial year. From this performance, the fund value increased from **Kes 235.07 billion** to **Kes 249.65 billion** as at the close of this financial year.



Major Factors that affected Financial Performance

1. Disruption due to Social Distancing

Social distancing is a term applied to certain actions that are taken by public health officials to stop or slow down the spread of a highly contagious disease. Social distancing will cause disruptions to the delivery of the Fund's mandate during the contagion months, particularly to the mission critical areas like Registration, Collection, Investments and Benefits payments. Generation of income is expected to be affected due to the fact that most work places are either closed down or working off line. For example, in 2019, only an estimated 14.1% of all retail sales worldwide were done through the Internet which means that 85.9 % was done physically hence a bigger portion of business activities will be affected. During the pandemic period 1585 claims were initiated in the month of April as opposed to 12467 and 9643 in the months of January and February 2020 respectively before the social distancing commenced this was also reflective in the payments carried with April recording 146 million unlike the previous four months where an average of 400 million were paid out for claims.

E-commerce is an emerging segment in the Kenyan market with mostly the younger population that prefers ordering for goods and receiving services online in place of making a physical visit to a store or transacting online. Although Central Bank of Kenya (CBK) data shows that mobile money transactions stood at Sh3.98 trillion (\$38.5 billion) in 2018, meaning that Kenyans moved nearly half the equivalent of the country's gross domestic product (GDP) through their mobile phones underlining the growing importance of digital wallets to the economy. This means that the Fund needs to optimize on this platform during this pandemic period.

2. Plummeting Employee Productivity

Employee productivity will not only impact the Fund but the industry in general as organizations are likely to witness illness and absenteeism among the staff leading to low productivity. Even in cases where employees may not be sick many will be affected by the need to care for ill family members or emotional contagion. Further the cessation of movement to the four counties could also affect the Fund as Nairobi contributes to 49 % of the Fund's business whereas Coast/North contributes to 10 % of the Fund's business. Travel restrictions especially for those working inter counties and curfews set by the Government of Kenya may also need flexible working hours. Measuring employee output and productivity may prove to be a challenge in certain areas that are not fully automated.

3. Stressed Supply Chains

The global economy is still highly integrated and most countries and companies rely on vendors for their business. From pharmaceutical raw materials to electronics to most

consumer-good products, there will likely be purchasing delays. In Kenya locking out airlines will affect the aviation sector which will in turn affect other areas like the hospitality industry which is among the top seven sectors that has a high impact on the Fund's portfolio. The lockdowns have seen a reduction in revenues to the aviation industry which also greatly contributes to the tourism sector. The cessation of movement in and out of Nairobi from all other 46 counties has had a significant effect on supply chain.

The manufacturing sector contributes 7.4% to GDP and employs about 307,600 people. The manufacturing sector heavily relies on intermediate goods from China and with the supply chain disruption, the sector is likely to be adversely affected. However, it is important to note that the virus has also come with new opportunities for players in the pharmaceutical, e-commerce and manufacturing industries as these have seen different counties creating employment by producing Personal Protective Equipment (PPE's) creating an opportunity to recruit these employees as members.

4. Recession, Unemployment and Investment Pull Back

Forecasts indicate that economy may slip into a recession in the next couple of months. The first major hit the country experienced was the net selling position by investors in the stock markets. Most foreigners who had invested in the Kenyan stock market began selling their stocks as the virus began spreading to different parts of the globe. Many foreign investors, who often purchase blue-chip stocks, have been selling their equity holdings to purchase gold and fixed income securities due to the much uncertainty in the market.

Immediately the first case of Coronavirus was reported in the country, the stock markets declined with stocks such as Safaricom and KCB declining by 5.4% and 7.0%, respectively, in one day. Trading in the NSE 20 was halted on 13th March 2020 after the NSE 20 dropped more than 5.0%, as per the provisions of Rule 9.4.1 (ii) of the NSE Equity Trading Rules. The drop was 10.4% between 11th March 2020 and 13th March 2020.

The tourism and hospitality industry are the fifth largest contributions of the Fund's business portfolio. This industry which in 2018 earned Kenya Approximately Ksh.157 Billion while employing 1.1 Million Kenyans directly and indirectly is expected to experience significant losses in jobs and revenue given the measures already taken by the Government in shutting down borders and restricting entry in an attempt to lock out the virus and slow down transmission. The ban on all conferences of international nature and those that have more than 15 participants will further impact the performance of this sector. The Ministry of Labour and Social Protection has carried out a survey which indicates that already 1.2 million Kenyans have lost jobs within the period of the pandemic which will adversely affect the

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Fund's membership and liquidity should some of these meet the requirements for withdrawal benefits. There may be significant layoffs at existing businesses in the "second wave" of COVID-19 that may surge again in the fourth quarter and extend to the first quarter of FY 2020/2021.

5. Economic Instability

The central Bank of Kenya has announced an estimated reduction of economic growth from 6.2% to 3.4 % for the year 2020.

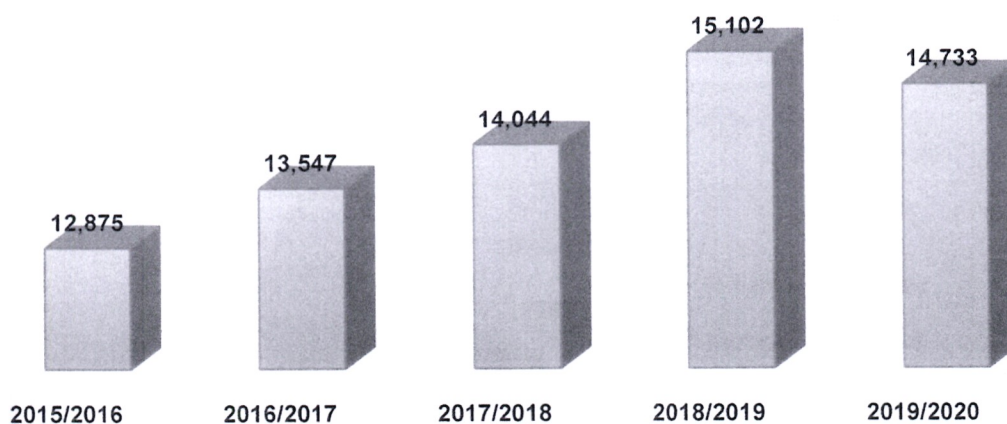
Key Performance Ratios

A summary of key performance ratios for the year as shown here below:

DETAILS	Actual	Actual	Actual	Actual	Actual
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	%	%	%	%	%
Staff costs to Operating Costs	62.09%	60.69%	73.80%	71.18%	70.64%
Admin cost to Operating Costs	29.91%	27.82%	26.05%	26.42%	29.05%
Operating Costs to Investment income	535.99%	31.35%	29.30%	64.61%	56.28%
Operating Costs to Contributions	42.79%	47.24%	36.84%	38.19%	36.70%
Total Operating Costs to Net Assets	3.20%	3.26%	2.33%	2.45%	2.17%
Return on investments to Net Assets	0.60%	10.38%	9.32%	3.80%	3.85%

Contributions

5 Year Contribution Trend in Millions

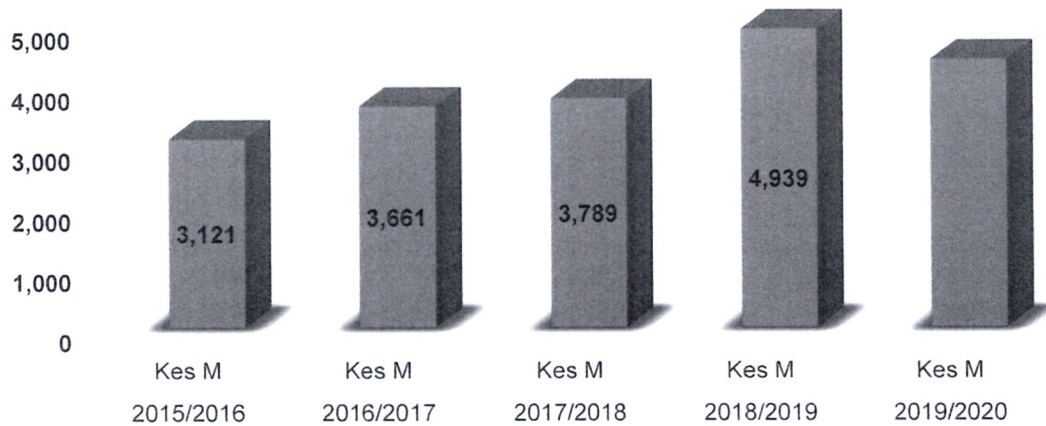


The graph above shows the trend of contributions for the last 5 years. The Fund collected an annual average contribution from members of Kes. 14 billion over the last 5 fiscal years. The

Covid-19 affected the second half of 2019/2020 leading to a performance that is slightly lower than the previous year as well as below target of Kes. 17 billion.

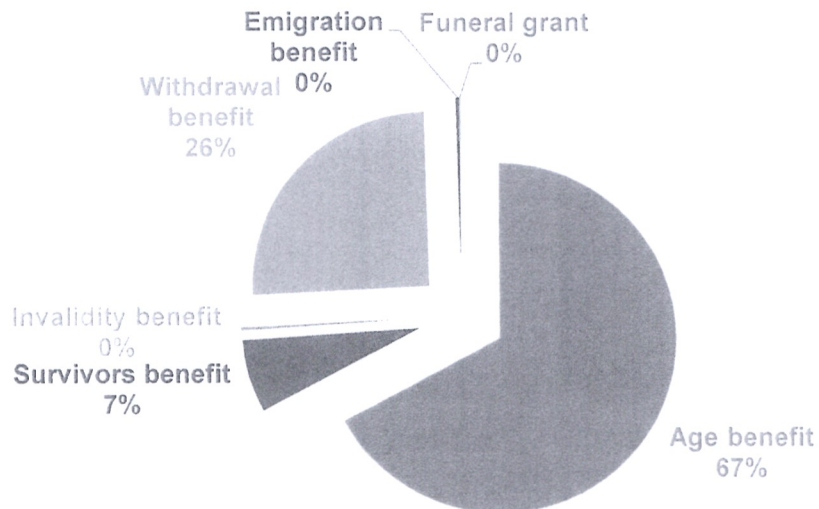
Benefits Paid

Benefits Paid 5 Year Trend



The Fund has paid an average of Kes 4 billion as benefits to members in the last 5 years or a total of Kes 19.94 billion. 60% of the benefits paid to members is return earned from investment of contributions making the Fund a viable saving for old age.

Proportion of Benefits by Type



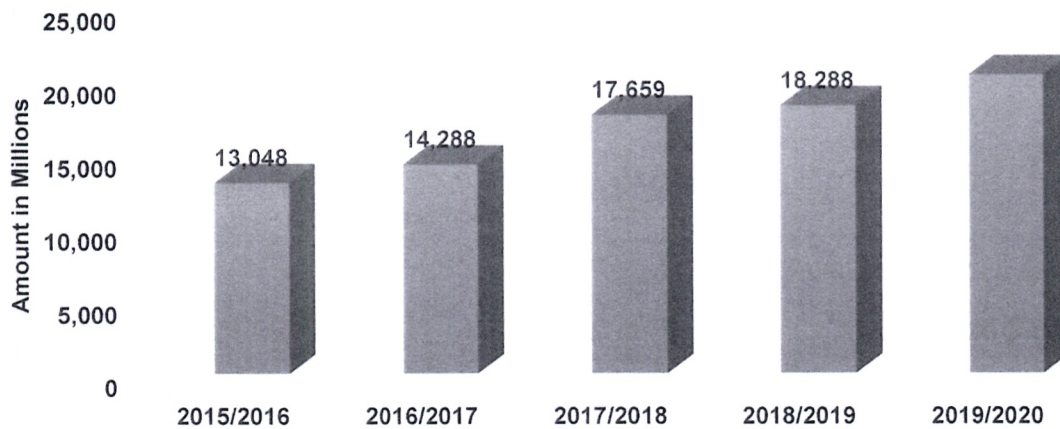
National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

67% of the total benefit were paid to members who attained the age of mandatory retirement (60 years), while 26% was paid to members who were eligible under the withdrawal benefit (50 years). 7% was paid to beneficiaries of deceased members.

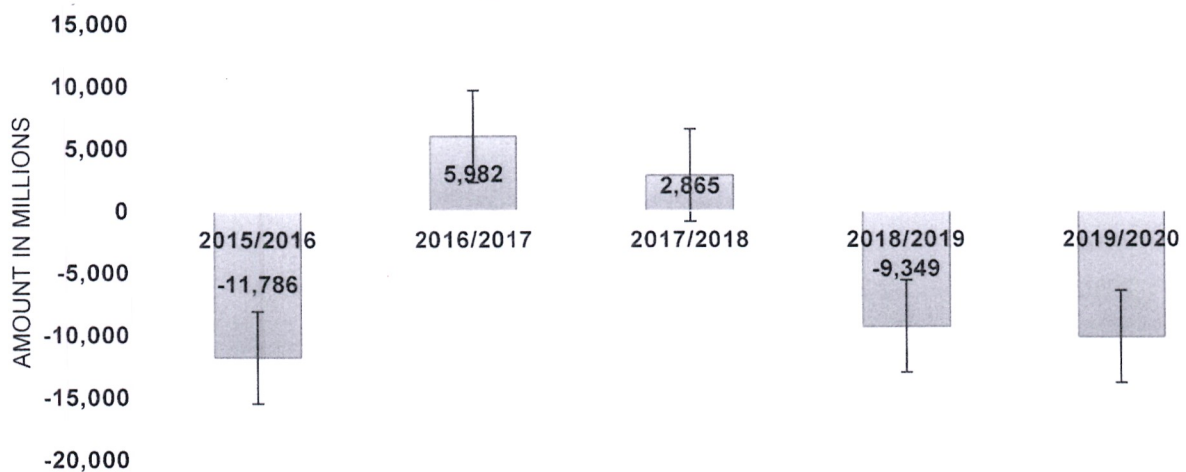
Investment Income

5 Year Trend on Investment Income



Change in Market Valuation of Investments

5 Year Trend of Change of Market Valuation of Investments

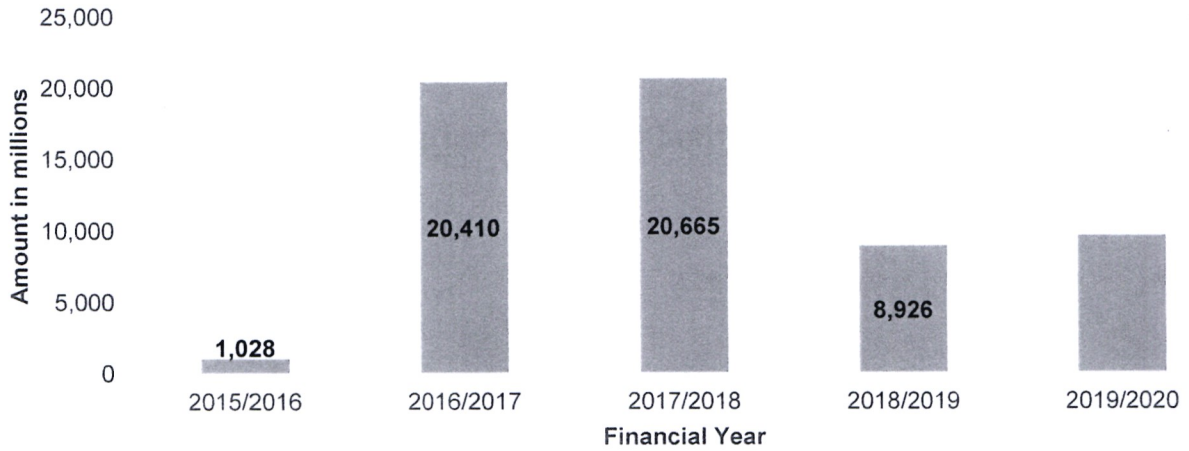


National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

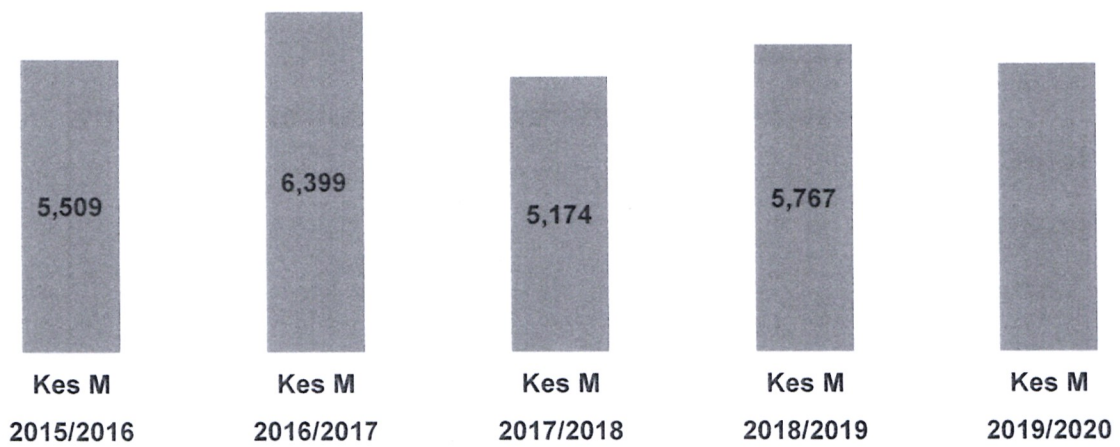
Net Return on Investments

5 Year Trend of Net Return on Investments



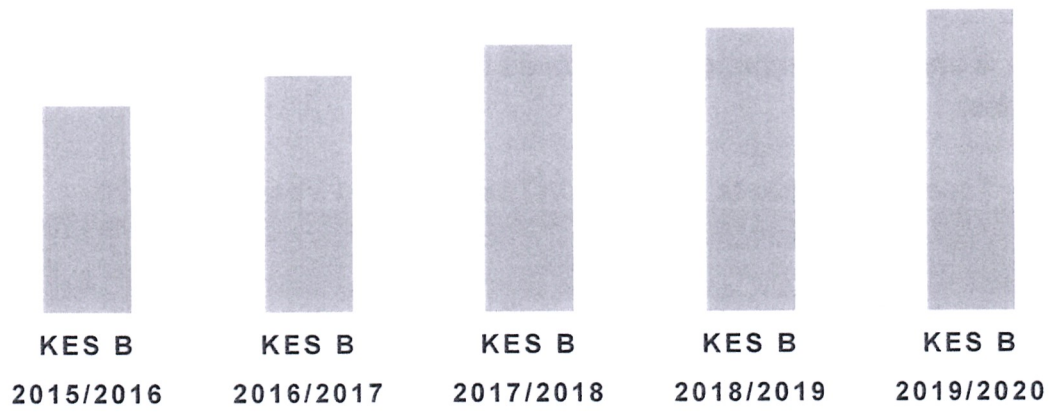
Operating Cost

5 Year Trend of Operating Cost



Net Assets Growth Trend

5 Year Net Assets Growth Trend



National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Procurement Policy Statement

The Fund procures goods, works and services as per the provisions of the Public Procurement and Assets Disposal Act of 2015. The overall objective is optimal use of the Fund's resources for quality service delivery to members.

There is strict adherence to the approved budget and procurement plan in all procurement activities.

Major Tenders/Contracts awarded in the Financial Year 2019/2020

NO.	Tender No.	Nature of Item / Contract	Date Awarded	Firm Awarded	Amount (Inclusive of V.A.T)
1	02/2019-2020	Provision of Physical Planning Services	11.03.2020	E & G Spatial Consultants Limited	14,981,400.00
2	04/2019-2020	Supply, Installation, Testing and Commissioning of Enterprise Servers, Storage and Associated Software	27.11.2019	Konvergenz Network Solutions	57,136,380.00
3	13/2019-2020	Provision of Security Services	18.02.2020	a) Hatari Security Group – Category – B,C,D b) Total Security Surveillance Limited – Category E c) Bedrock Holdings Limited – Category E	Amount Per Annum 103,457,520.00 11,101,200.00 15,924,840.00
4	14/2019-2020	Installation, Testing and Commissioning of Destination Control Passenger Lifts at Bruce House, Nairobi	08.05.2020	Top Choice Surveillance Limited	42,348,023.00
5	15/2019-2020	Supply and Installation of Escalators at Hazina Trade Centre	2.06.2020	Rentstate Limited	36,984,000.00
6	20/2019-2020	Supply, Installation, Testing & commissioning of CCTV Systems at Hazina Towers and Viewpark Towers, Nairobi	29.06.2020	Next Technologies	44,839,202.72
7	23/2019-2020	Proposed Repair of Leakages at Bruce House Nairobi	29.06.2020	Green Savannah Limited	30,653,820.00

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

8	24/2019-2020	Provision of Security Services to Class "A" Properties	15.07/2020	Winguards Services Ltd	39,516,000.00
9	26/2019-2020	Provision of Consultancy Services for Standardization & Improvement of Enterprise Processes	30.06.2020	EIMS Limited	38,423,700.00
10	27/2019-2020	Supply, Installation Testing & Commissioning of Network Switches and Access Control	30.06.2020	Nexttech Networks Limited	47,963,603.37

Strategic Direction

The Fund has identified three Pillars: Growth, Products & Services and Customer Engagement and Service Delivery. These constitute the first three strategic themes. In addition, there are two themes that act as enablers of the pillars. These are Internal Processes and Corporate Image. The pillars and enablers are predicated on one strategic theme which acts as the foundation for the strategic plan, Culture and Governance.

Corporate Strategic Plan in Summary

Mission	To provide adequate income replacement to members through prudent investments and prompt payment of benefits					
Vision	To be the trusted Social Security Provider					
Strategic Themes	Culture and Governance	Growth	Customer Engagement & Service Delivery	Products & Services	Internal Processes	Corporate Image
Strategic Objectives	To improve the Fund's performance culture and corporate compliance	To significantly grow the Fund's actuarial values	To ensure customer centricity	To develop a portfolio of value adding products and services provided	To achieve and sustain high operational efficiency	To enhance the brand of the Fund
Values	Customer Focus + Integrity+ Accountability + Transformational + Care					

COMPLIANCE WITH RETIREMENT BENEFITS AUTHORITY INVESTMENT GUIDELINES

Particulars	2020			2019		
	Value	%	RBA Max % Req	Value	%	RBA Max % Req
Categories of assets						
Investment Portfolio						
Cash and bank balances	65,797,015	0%	5%	419,376,662	0%	5%
Call and Fixed deposits	15,645,705,000	7%	30%	9,659,178,400	4%	30%
GoK Securities	126,287,465,457	53%	90%	111,027,597,695	49%	90%
Corporate bonds	1,399,604,882	1%	20%	7,140,397,038	3%	30%
Quoted Equities	52,543,439,582	22%	70%	52,750,355,185	23%	70%
Unquoted equities	513,972,854	0%	5%	1,679,927,974	1%	5%
Immovable property	43,344,323,082	18%	30%	42,587,620,231	19%	30%
Others			10%			10%
Offshore investment	-	0%	5%	-	0%	5%
Investment Assets	239,800,307,872	100%		225,264,453,185	100%	
Other assets	11,682,182,373			11,765,412,349		
Total Assets	251,482,490,245			237,029,865,534		

COMPLIANCE WITH STATUTORY REQUIREMENTS

The Fund developed and implemented a compliance checklist, whose monitoring and evaluation is on a regular basis, depending on the set timelines and contractual terms. During the year ended on 30 June 2020. The Fund complied with all its statutory obligations to tax authorities, the Retirement Benefits Authority, National Hospital Insurance Fund, The National Treasury, and the Office of Auditor General.

ENTERPRISE RISK MANAGEMENT (ERM)

There is value in planning for uncertainty. The Fund is aware that ignoring risks might give large short-term gains at the expense of its long-term interest. ERM provides a systematic, co-ordinated, and a continuous process to identify, measure, respond, monitor, and report on key risks. The Board of Trustees and Management are cognisant of the fact that not all risks can be eliminated, and has therefore devised mechanisms to cope with residual risk.

The Fund is committed to embedding risk management principles and practices:

1. In strategic and operational plans;
2. In business and financial processes;
3. In all administrative levels i.e. Divisions, Departments, Regions and Branches;
4. On major projects undertaken; and
5. On major contracts entered into with third parties.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Risk management is based on the proposition that it must produce value to the Fund, and that the benefit of reducing risk must be greater than the cost of managing it. Based on the ERM, the following key exposure risks have been identified and strategies put in place to manage them:

- a) Corporate governance risk due to instability of tenure in the Board of Trustees, the office of the Chief Executive, senior management, and succession planning in management;
- b) Market and business risks the Fund is exposed in the Nairobi Securities Exchange and competition in the financial sector; and
- c) Court cases affecting business especially the petition restricting the Fund from implementing of the NSSF Act 2013; and
- d) Competition from other players in the financial sector, particularly in the pension industry and the expected entry of the Housing Pension Scheme.

MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

No material arrears in statutory or other financial obligations had been identified as at 30 June 2020.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

National Social Security Fund (NSSF) is committed to creating positive, long lasting impact on the communities within which it operates. The Fund's commitment to the society is embedded in the principles of ensuring social protection and empowerment for all. The Fund's Corporate Social Responsibility (CRS) is an integral part of NSSF's overall business strategy. As a way of ensuring that there is real long-lasting impact on NSSF's interventions in the community, the Fund focuses on the following five key pillars which are aligned to the Corporate Social Responsibility (CRS) policy.

1. Education

The inception of Universal Free Primary Education and Free Secondary in 2003 and 2008, respectively, has stretched the Government's resources to the limit, causing the State to seek funding locally and internationally. NSSF recognizes that school children form our future market; hence, it is critical to invest in them. The Fund promotes education by participating in various activities that include, building classrooms, Libraries, sanitation facilities.

Over the last two years, the Fund has partnered with the Ministry of Education in the promotion and the acceleration of a saving culture inculcated among the school children on the importance of saving for retirement. This information has been passed through poems and choral verses composed in both English and Kiswahili. This partnership has positively impacted the uptake of NSSF products through enhanced product's awareness.



St. Cecelia Misikhu Girls School-Bungoma County being the proud winners of the overall NSSF Challenge Trophy for the best performance in English coral verse during the annual Kenya music festivals held in August 2019 at Kabarak University.



Archbishop Njenga Girls School, Kakamega who won the NSSF Trophy for the best choral verse based on the theme "Growing you for Good" during the annual Kenya music festivals held in August 2019 at Kabarak University.

Health

NSSF engages in collaborative partnerships with the Government and other reputable organizations to address and promote public health issues with special focus on HIV/AIDS, Malaria and Malnutrition and pandemics.

The Fund partnered with Ahadi Kenya for donation of masks and hand sanitizers to various state institutions to promote the fight against the Covid-19 pandemic



The CEO/MT accompanied by CEO Ahadi handing over masks and sanitizers to the Inspector General of Police Hillary Mutyambai.

2. Sports

Kenyans resonate very well with sporting activities, especially athletics and football. NSSF's involvement in sports is a sure way of creating awareness and buy-in of our Brand. Supporting sports also provides an excellent platform to reach the youth and entrench the culture of saving among this market. The Fund has partnered with other sports partners e.g. Sports Personality of the Year Awards held annually.

3. Social Welfare

The outbreak of the Corona Virus Disease that ravaged and devastated the world brought much pain and misery with unprecedented levels of pressure building on individuals and families and the consequent social-economic implications. Due to this pandemic, the Fund sponsored a Hope4U initiative by the Archdiocese of Nyeri to help mitigate the resulting challenges caused by the pandemic.



The CEO/MT Dr. Anthony Omerikwa presenting a sponsorship cheque to the HOPE4U Initiative in support of the vulnerable and the needy families.

4. Environment

The Fund endeavors to play an integral part in the conservation of the environment by undertaking annual tree planting initiative across the country and other related activities to promote a sustainable environment as a lasting impact.



NSSF Molo Sub-Branch Team led by Officer- I-Charge Evans Tanui Manager during the annual tree planting exercise in May 2020.



NSSF Vihiga Sub-Branch Team led by Madam Esther Kemei during the annual tree planting exercise in May 2020.

REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of affairs of the Fund.

Principal activities

The principal activities of the Fund are, as stipulated under Section 4 of the NSSF Act 2013, to register members, receive their contributions, invest the funds, process and ultimately pay out benefits to eligible members or their dependants.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 1.

Interest to Members

Section 2 of the NSSF Act 2013 requires that investment income be credited to the accounts of individual members, at such rates as the Board may, in consultation with the Actuary or such other qualified person, determine and approve at least annually, having regard to the income on the Fund's assets. Interest declared and paid in the last six years is as follows:

Financial Year	Declared interest%
2013/2014	12.5
2014/2015	3.0
2015/2016	6.0
2016/2017	7.0
2017/2018	7.0
2018/2019	3.0
2019/2020	Awaiting audit of financial statements and actuarial valuation

The Board of Trustees shall declare the interest for the financial year ended 30 June 2020 after considering the actuarial valuation report.

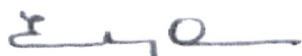
Trustees

The members of the Board of Trustees who served during the year are shown on page iv in accordance with NSSF Act 2013.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Dr. Anthony Omerikwa, MBS

Secretary to the Board

Nairobi

Date: 31.05.2021

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, the National Social Security Fund Act, 2013, the Retirement Benefits Act, 1997, and the State Corporations Act No. 446 require the Trustees to prepare financial statements in respect of the NSSF, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that year. The Trustees are also required to ensure that the Fund keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund.


The Board of Trustees is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for NSSF's Financial Statements, which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Public Finance Management Act, 2012, the National Social Security Fund Act, 2013 and the Retirement Benefits Act 1997. The Trustees are of the opinion that the Financial Statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of systems of internal financial control. Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board of Trustees onand signed on its behalf by:

.....
Gen. (Rtd) Dr. Julius W. Karangi,
EGH CBS DCO LOM 'ndc' 'psc' (K)
Chairman, Board of Trustees


.....
Dr. Anthony Omerikwa, MBS
CEO/Managing Trustee

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Social Security Fund set out on pages 1 to 48, which comprise the statement of net assets available for benefits as at 30 June, 2020, and the statement of changes in net assets available for benefits, statement of changes in accumulated members' funds, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Social Security Fund (NSSF) as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the National Social Security Fund Act No.45 of 2013.

Basis for Qualified Opinion

The financial statements reflect several balances that are not adequately supported with appropriate records and information, as explained in the following paragraphs:

1.0 Cash and Cash Equivalents

Examination of the Fund's bank reconciliation statements as at 30 June, 2020 revealed several outstanding balances for receipts in bank statements not in cashbooks, payments in cashbooks not in bank statements and payments in bank statements not in cash books, as follows:

Nature of Outstanding Balances		Amount (Kshs)	Additional Audit Observation
1.	Receipts in Bank Statements not in Cashbooks	79,998,275	Some receipts included in the balance have been outstanding since July, 2014.
2.	Receipts in Cashbooks not in Bank Statements	127,877,988	Some receipts included in the balance have been outstanding since July, 2014.
3.	Payments in Bank Statement not in Cashbooks	134,335,976	Some payments included in the balance have been outstanding since 2012.

Management did not provide explanations on why the old outstanding balances had not been investigated and cleared from the respective bank accounts and cashbooks as applicable.

In view of the unreconciled balances, the accuracy and completeness of the cash and bank balance totalling Kshs.65,797,015 reflected in the statement of net assets available for benefits as at 30 June, 2020 could not be confirmed.

2.0 Fixed Deposits Held to Maturity

The statement of assets available for benefits reflects fixed deposits held to maturity totalling Kshs.8,852,705,000 as at 30 June, 2020. The balance includes deposits totalling 223,155,587 held in two banks, namely; Chase Bank and Imperial Bank, as analyzed below:

Deposit Status		Name of Bank and Deposit Amount		
		Imperial Bank Kshs.	Chase Bank Kshs	Total Kshs.
Holding		259,500,000	70,000,000	329,500,000
Received	2018/2019	26,691,232	52,970,671	79,661,903
	2017/2018	26,682,507	-	26,682,507
Balance		206,126,259	17,029,328	223,155,587

However, in the year under review, the banks were under statutory management by the Central Bank of Kenya. As a result, the ratio of recoverable deposits in the balances totalling Kshs.223,155,587 held in the two banks as at 30 June, 2020 could not be confirmed. In view of the uncertainty, the aggregate fixed deposits balance totalling Kshs.8,852,705,000 as at 30 June, 2020 may not be fairly stated.

3.0 Rent Debtors

The statement of assets available for benefits reflects rent debtors totalling Kshs.770,109,437 as at 30 June, 2020. Note 37 (iii) to the financial statements highlights

contingent rental income totalling Kshs.30,681,000 collected by various property agents from the Fund's tenants in Nairobi at Bruce House, Hazina Trade Centre, View Park Towers and Nyayo Estate. However, the collections had not been remitted to the Fund as at 30 June, 2020. Although Management demonstrated new internal controls intended to prevent agents from withholding receipts collected from the Fund's tenants, there was no clarity on how the withheld rental income totalling Kshs.30,681,000 would be recovered.

In addition, Note 37(vi) indicates that a tenant named Kenya College of Medicine with offices at both Hazina Trade Centre and View Park Towers presented fake banking slips totalling Kshs.9,327,627 purporting these to have been transacted for rent payments. Rental records indicated that Management recovered Kshs.201,550 after selling-off the tenant's assets. However, additional measures, if any, taken to recover the balance amounting to Kshs.9,126,077 were not disclosed.

In the absence of sufficient information, the amount of recoverable rent and debtors could not be confirmed.

4.0 Payables and Accruals

The statement of net assets available for benefits reflects payables and accruals totalling Kshs.1,829,344,143 as at 30 June, 2020 which in turn include Kshs.320,002,494 owed to various vendors, as disclosed in Note 32 to the financial statements. Examination of the payables ledger indicated that payables totalling Kshs.258,854,938 outstanding since 2012 were not supported by invoice receipt vouchers in the electronic (SAP) accounting system. No explanation was provided by Management why the respective vendors had not presented, or been asked to present, invoices to the Fund for payment. Further Management did not explain whether the respective owners of the payables totalling Kshs.258,854,938 were notified of the balances and a report made to the Unclaimed Assets Authority as prescribed in Section 19 and Section 20 of the Unclaimed Assets Act No. 40 of 2011, respectively. As a result, the propriety of the payables totalling Kshs.258,854,938 could not be confirmed.

In view of these anomalies, the payables and accruals balance totalling Kshs.1,829,344,143 as at 30 June, 2020 may not be fairly stated.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Revenue

The statement of comparison and actual amounts indicates that the Fund's revenue budget for the year under review amounted to Kshs.27,980,566,000 and actual revenue Kshs.20,524,649,681 resulting to a shortfall of Kshs.7,455,916,319 or 27% of the revenue budget.

Management attributed the revenue shortfall to reduced economic activities in the third and fourth quarters of the financial year due to effects of the Covid-19 pandemic. The significant revenue shortfall totaling to Kshs.7,455,916,319 implied that funding for programmes and activities planned for the year may have been constrained.

1.2 Expenditure

The statement of comparison of budget and actual amounts further indicates that the Fund had budgeted to spend Kshs.7,222,469,000 in the year under review but spent Kshs.5,942,306,669 resulting to an under-expenditure of Kshs.1,280,162,331 as tabulated in the following table:

	Item	Budget	Actual	Over/Under(-)	Over/Under(-)
		Kshs.	Kshs.	Kshs.	%
1	Staff Costs	4,663,192,000	3,820,005,857	(843,186,143)	18
2	General Administrative Costs	1,812,777,000	1,570,733,413	(242,043,587)	13
3	Investment Management Expenses	746,500,000	534,883,716	(211,616,284)	28
	Total	7,222,469,000	5,925,622,986	(1,296,846,014)	18

Management explained that the under-expenditure totalling Kshs.843,186,143 incurred on staff costs resulted from delays in recruitment of senior management and in implementation of a Collective Bargaining Agreement (CBA) signed with staff, and delay in effecting inflation adjustments on employee emoluments.

The variance in investment management expenses amounting to Kshs.211,616,284 or 28% was explained as having been occasioned by low activity in the money and capital markets.

The under-expenditure totalling Kshs.1,296,846,014 implied that the Fund may have scaled-down on implementation of the programmes and activities planned for the year and therefore, some of the Fund's goals and objectives set for the year may not have been achieved.

2.0 Prior Year Issues

The audit report for the year ended 30 June, 2019 raised several unsatisfactory issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal controls, risk management and governance.

The report of Management on progress made in resolving the issues indicates that activities intended to resolve some of the issues were ongoing as at 30 June, 2020. However, the report does not provide disclosures on several issues raised in the audit report.

The actual status of all the issues shall be determined after they are discussed by the National Assembly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Performing Investment Property

Fixed assets records indicated that among the properties owned by the Fund as at 30 June, 2020 was Hazina Plaza-Polana Mombasa which, as indicated at Note 29 to the financial statements, had a net book value of Kshs.530,000,000. The records indicated that the property was purchased in October, 1994 at Kshs.450,000,000 on a sale-and-lease basis but had since been revalued. It was first leased to M/s. Azania Hotels Limited for use as a hotel which, however, closed in April, 2001 while indebted to the Fund for rent arrears totalling Kshs.239,500,000. A private investigator was engaged to trace assets held by M/s Azania Hotels Limited or its Directors with a view to suing for their disposal. Case HCC No.59A of 2004 was thereafter filed in Mombasa to recover the arrears. However, in the year under review, Management did not provide an update on the matter and as a result, it was not possible to confirm whether the arrears were recovered.

The records indicated that in April 2010, the Board of Trustees approved lease of the property to Techno Holdings Limited for a period of 10 years but the tenant defaulted on rent totalling Kshs.23,490,800. The Fund sued for recovery of the amount and sought authority of the Court to cancel the tenancy but sub-tenants at the property demanded compensation for expenditures totalling Kshs.123,000,000 they claimed to have spent on refurbishments and renovations of the property.

The Court on 18 March, 2019 allowed the Fund to evict the lessee and the sub-tenants who thereafter reportedly removed furniture and décor items they claimed to own. As a result, the property was reportedly left in a rundown condition. It is not certain whether Management has taken legal action against the evictees.

In view of the foregoing, the Fund may not have obtained value for money from its investment in the property that cost Kshs.450,000,000 in 1994. Further, the recurrent rent arrears imply that the Fund may not have managed the investment in a prudent manner.

2.0 Status of Hazina Trade Centre Construction Project

Records provided for audit indicated that construction works on Hazina Trade Centre in Nairobi Central Business District continued in the year under review. The project entailed the elevation of the existing building into a 36-floor tower and was awarded to M/S China Jiangxi. The project was later scaled-down to 15 (fifteen) floors at a reduced contract sum of Kshs.4,095,862,434 out of an original contract prize of Kshs.6,715,218,218. Therefore, the scope of works was reduced by 21 floors equivalent to 58% of the original contract whereas the cost was reduced by Kshs.2,619,355,754 or 39%. The aim of reduction in floors was to satisfy the Council's requirements of tenable 15 floors, otherwise NSSF would have had to look for parking space elsewhere.

The project had a number of completion date extensions with the most recent set for December, 2020 which however, lapsed before the works were completed. As at the time of audit, eleven (11) certificates valued at Kshs.3,704,883,770 in aggregate, or 83% of contract sum, had been paid. However, physical inspection of the project indicated that the works were only eighty percent (80%) complete. There is therefore, the risk of the project exceeding its budgeted cost amounting to Kshs.4,095,862,434.

Further review of the project's records indicated that the contractor filed compensation claims valued at Kshs.871,697,124 citing idle time arising from work stoppages. Expenditure records indicated that payments totalling Kshs.653,772,843 were made in respect of the claim. However, except for stalling of construction works on 1 September, 2014 upto 14 March, 2018 because the tenants, Nakumatt Holdings Limited, who were occupying basement four (4) to mezzanine floors, had obtained a court injunction that stopped strengthening of columns within spaces they occupied, no other explanations were provided by Management for the stoppages which resulted in ineffective use of public resources.

Consequently, value for money could not be confirmed with regard to the variation in prices as a result of the reduction in floors, and the work stoppage excess payment totalling Kshs.653,772,843 to the contractor.

3.0 Ineffective Management of Debtors and Investments

Examination of debtor and investments records indicated that the Fund had, over the years, incurred losses on receivables (debtors) and investments. For instance, Note 23 to the financial statements reflects receivables and prepayments totalling Kshs.3,793,927,167 which include long outstanding debts totalling Kshs.28,720,772, that

had, as at 30 June, 2020, remained unpaid for more than ten (10) years. In addition provisions made for bad and doubtful debts amounted to Kshs.105,102,269.

Similarly, the statement of net assets available for benefits reflects corporate bonds totalling Kshs.1,399,604,882 which Note 20 to the financial statements indicates is net of doubtful bonds provisions totalling Kshs.666,900,000 made in respect of FXD Chase Bank 2015 bonds at Kshs.534,700,000 and Imperial Bank 5.25-year FXD bonds at Kshs.132,200,000.

The loss provisions totalling Kshs.772,002,269 and the losses incurred on the leased-out property cited in this report suggest that the Fund's debt management and investment policies may not be properly established to attain fair returns on contributors' funds.

The audit was conducted in accordance with ISSAI 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Weaknesses in Human Resource Management

1.1 Senior Managers in Acting Appointments

As similarly reported in the previous year, the Senior Management team in the year under review included seventeen (17) senior members of staff appointed on acting capacity for long periods, some for as long as six (6) years. Delays in advertising the respective posts or confirming the acting managers may have constrained their capacity to provide effective leadership of the Fund.

1.2 Impending Retirement of a Large Proportion of Staff

Review of employee records indicated that out of the Fund's one thousand, one thousand two hundred and sixty one (1261) staff, 41% were due to retire after serving their respective terms. As a result, the Fund's prospects for maintaining a stable, experienced workforce that would enable it to attain its goals and objectives may be at risk.

2.0 Inadequate Documentation of Expenditure

Examination of payment records indicated that there was no standardized form for printed payment vouchers. Although postings and approvals were done online in the Fund's accounting software, physical vouchers filed included internal memos as well as staff payments and invoices and delivery notes for supplies, all of which were stamped severally to denote various approvals. Further, the vouchers were not serially numbered.

As a result, audit trails on accounts charged were hard to follow and therefore internal control on recording of expenditure was not properly established.

3.0 Delay in Accounting for Members' Contributions

Examination of records on contributions made by members indicated that contributions in transit not posted to individual members' accounts as at 30 June, 2020 amounted to Kshs.439,000,000 denoting an increase of Kshs.149,000,000 or 51% from Kshs.290,000,000 reported as at 30 June, 2019. No plausible explanation was provided by Management for the large increase in the balance and the reasons for delay in posting the contributions to the credit of the respective members' accounts. The delay suggested that internal control on accounting for contributions was weak and therefore, the risk of misstatement of the balances may have been high.

4.0 Ineffective Accounting Software Systems

In the year 2011/2012, the Fund procured two software systems identified as SAP Enterprise Resource Management Programme (SAP ERP) and Social Security and Pension Administration System (SSPAS). The systems were intended to enable the Fund optimize its functional processes and improve operational effectiveness.

The SSPAS was expected to provide an integrated platform that supports the Fund's core functions; namely registration, collections and benefits payment. The SAP system was to facilitate the Fund's finance and accounting functions by providing transparency and accountability in executing processes.

Review of the functionality of the two systems revealed the following inadequacies:

- i. Records on the Fund's Tenant Purchase Scheme (TPS) were still updated upon submission of physical payment records by tenants at the Head Office since the Scheme was not integrated with the Fund's banking system to automatically update records upon payment. No satisfactory explanation was provided why the Finance Department would not improve customer experience by integrating the software systems with mobile-phone payment technologies.
- ii. Financial statements were still prepared manually because the SAP system did not independently generate double entry accounting balances. Because of the high number of transactions, the risk of errors and misstatements was high. In addition, SAP system expenditure schedules did not include payee names. As a result, the

schedules did not provide a proper audit trail as they were not matched to payment vouchers or other relevant records.

- iii. The SAP Loan Module is not configured to provide analytical reports on unpaid cheques.

In view of these shortcomings, value for money may not have been obtained on the investments made in the two systems.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Trustees

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services, and using applicable basis of accounting unless Management is aware of the intention to dissolve the Fund, or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services.
- If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gatungu, CBS
AUDITOR-GENERAL

Nairobi

04 February, 2022

National Social Security Fund*Annual Reports and Financial Statements for the year ended June 30, 2020***STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Note	Kes	Kes
Dealings with Members			
Contributions Receivable	6	14,732,571,428	15,102,379,464
Benefits Payable	7	(4,433,548,757)	(4,939,110,256)
Net Surplus from dealings with members		10,299,022,671	10,163,269,208
RETURN ON INVESTMENTS			
Investment Income	8	20,387,577,906	18,288,282,158
Fair value gain on revaluation of Investments	9	(10,194,619,584)	(9,348,790,568)
Gain on realisation of investments	10	(50,669,212)	390,564,622
Investment Management Expenses	11	(534,883,716)	(404,106,053)
Net Investment Income		9,607,405,394	8,925,950,159
Other Income	12	83,337,900	55,743,772
Total Net Income		9,690,743,295	8,981,693,932
Less: Operating Cost			
Staff cost	13	3,820,005,857	4,105,211,249
General administrative cost	14	1,570,733,413	1,523,719,278
Provisions	15	16,683,683	138,431,395
Total operating cost		(5,407,422,952)	(5,767,361,921)
Increase in net assets for the year		14,582,343,014	13,377,601,218
As previously reported		235,070,803,089	221,729,634,489
Prior year adjustment		-	(36,432,620)
As restated		235,070,803,089	221,693,201,871
Net Assets as at 30 June		249,653,146,103	235,070,803,089

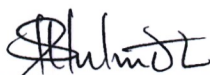
National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

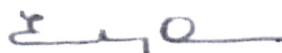
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kes	2019 Kes
ASSETS			
Cash and bank balances	16	65,797,015	419,376,662
Call and Fixed Deposits	17	15,645,705,000	9,659,178,400
Government Securities- (Treasury bills)	18	2,002,681,495	5,994,518,873
Government Securities- (Treasury bonds)	19	124,284,783,962	105,033,078,822
Corporate bonds	20	1,399,604,882	7,140,397,038
Accrued Income	21	6,083,766,970	6,187,626,209
Stores and Supplies	22	80,964,046	72,602,504
Receivables and Prepayments	23	3,688,824,898	3,564,032,511
Staff Car loans	24	245,915,928	267,988,749
TPS Loans	25	4,044,069,201	4,650,326,808
Long-term deposits	26	1,002,120,242	944,566,315
Quoted Stocks	27	52,543,439,582	52,750,355,185
Unquoted Stocks	28	513,972,854	1,679,927,974
Investment property	29	34,676,205,651	34,760,285,136
Assets under construction	30	4,624,048,230	3,177,008,287
Property, plant and equipment	31	580,590,289	728,596,061
		251,482,490,245	237,029,865,534
LIABILITIES			
Payables and accruals	32	(1,829,344,143)	(1,959,062,448)
NET ASSETS		249,653,146,103	235,070,803,089
REPRESENTED BY			
FUND BALANCE		249,653,146,103	235,070,803,089

The financial statements set out on pages 1 to 47 were approved and authorised by the Board of Trustees on Signed on their behalf by:



CPA Marietta Mutinda
ICPAK No. 6710
AG. Manager, Finance



Dr. Anthony Omerikwa, MBS
CEO/Managing Trustee

Gen.(Rtd) Dr. Julius W.
Karangi, EGH, CBS DCO
LOM 'ndc' 'psc' (K)
Chairman, Board of
Trustees

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kes	2019 Kes
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in assets		14,582,343,014	13,377,601,218
Adjustments:			
Depreciation on property, plant and equipment	14&31	245,348,727	154,930,951
Amortisation of intangible assets	14&31	626,173	52,181
(Gain)/loss on disposal of property, plant and equipment	12	16,337,150	-
Increase/(decrease) in provisions	15&23	16,683,683	130,417,018
Fair value gain/(loss) on revaluation	9	10,194,619,584	9,348,790,568
Operating surplus/(deficit) before working capital changes		25,055,958,331	23,011,791,937
Changes in Working Capital:			
Decrease/(increase) in inventories	22	(8,361,543)	(8,299,099)
Decrease/(increase) in debtors & prepayments	23	(124,792,387)	(213,225,806)
Decrease/(increase) in accrued income	21	103,859,239	(1,291,744,742)
increase/(decrease) in payables and accruals	32	(129,718,305)	(336,085,343)
		(159,012,995)	(1,849,354,990)
Net cash flows generated from operating activities		24,896,945,336	21,162,436,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of deposits with financial institutions	17&26	(6,044,080,527)	(4,021,600,719)
Purchase/sale or redemption of Treasury bills	18	3,991,837,378	2,024,620,771
Purchase/sale or redemption of Treasury bonds	19	(20,486,603,433)	(20,510,705,599)
Purchase/sale or redemption of corporate bonds	20	5,599,693,950	718,638,028
Purchase/sale of quoted equities	27	(8,715,307,482)	253,693,848
Purchase/sale of unquoted equities	28	(9,044,880)	-
Purchase, development/sale of land and buildings	29	187,679,485	(441,445,982)
Assets under construction	30	(1,447,039,943)	-
Purchase/sale of property, plant and equipment	31	(98,049,225)	(302,097,738)
Receipts from TPS and other loans	8, 23 & 25	1,770,389,695	264,770,519
Net cash flows from investing activities		(25,250,524,982)	(22,014,126,873)
Net increase/ (decrease in cash and cash equivalents		(353,579,647)	(851,689,926)
Cash and cash equivalents as at 1 July		419,376,662	1,271,066,588
Cash and cash equivalents as at 30 June		65,797,015	419,376,662

National Social Security Fund
Annual Reports and Financial Statements for the year ended June 30, 2020

STATEMENT OF CHANGES IN ACCUMULATED MEMBER'S FUNDS AS AT 30 JUNE 2020

	Members' Funds Kes	Accumulated Reserves Kes	Total Kes
Balance as at 30 June 2016	151,018,651,371	21,067,697,685	172,086,349,056
Prior Year Adjustments	591,602,152	-	591,602,152
Net Increase/(Decrease) in Net Assets	9,885,860,827	14,010,648,094	23,896,508,921
Balance as at 30 June 2017	161,496,114,350	35,078,345,778	196,574,460,129
Correction of erroneous previous year contribution accrual	(591,602,152)	-	(591,602,152)
Net Increase/(Decrease) in Net Assets	10,255,409,092	15,491,367,420	25,746,776,512
Balance as at 30 June 2018	171,159,921,291	50,569,713,198	221,729,634,489
Prior year adjustment Impairment of Kitisuru Roads	-	(36,432,620)	(36,432,620)
Net Increase/(Decrease) in Net Assets	10,163,269,208	3,214,332,010	13,377,601,218
Balance as at 30 June 2019	181,323,190,499	53,747,612,588	235,070,803,089
Actuarial valuation adjustment as at 30 June 2019	41,878,212,590	(41,878,212,590)	-
Net Increase/(Decrease) in Net Assets	10,299,022,671	4,283,320,342	14,582,343,014
Balance as at 30 June 2020	233,500,425,761	16,152,720,340	249,653,146,103

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable		Performance difference		Management comments
	2019-2020	Kes	2019-2020	Kes	2019-2020	Kes	2019-2020	Kes	2019-2020	%	
Revenue:											
Contribution	19,069,065,000		-		19,069,065,000		14,732,571,428		(4,336,493,572)	(23)	under absorption was occasioned by reduced economic activities in 3rd and 4th quarter of the year due to Covid-19, otherwise if all planned activities were undertaken it would have been above 85% absorption.
Benefits	(4,558,500,000)		-		(4,558,500,000)		(4,433,548,757)		124,951,243	(3)	under absorption was occasioned by reduced activities in 3rd and 4th quarter of the year due to Covid-19, otherwise if all planned activities were undertaken it would have been 100% absorption.
Net Dealings	14,510,565,000		-		14,510,565,000		10,299,022,671		(4,211,542,329)	(29)	
Dividend income	2,900,000,000		-		2,900,000,000		2,685,340,385		(214,659,615)	(7)	
Interest income	14,883,000,000		-		14,883,000,000		16,007,272,579		1,124,272,579	8	Positive variance is attributable to in investment in treasury bonds
Rent income	1,218,225,000		-		1,218,225,000		1,221,339,395		3,114,395	0	There was a marginal change in rent income is due to suppressed market for lettable space occasioned by the Covid-19 pandemic.
TPS interest income	657,500,000		-		657,500,000		473,625,548		(183,874,452)	(28)	The reduction on interest earned from Tenant Purchase Scheme is as a result of reduced TPS loans by and conversion of Millimani Executive apartment from TPS to Cash
Unrealised gain on investments	(6,918,724,000)		-		(6,918,724,000)		(10,194,619,584)		(3,275,895,584)	47	High negative variance is attributable to unfavourable markets experience during the year, the Nairobi Securities Exchange 20 share index dropped by 20% from 3273 to 2633.
Realised gain on investments	670,000,000		-		670,000,000		(50,669,212)		(720,669,212)	(108)	
Other income	60,000,000		-		60,000,000		83,337,900		23,337,900	39	positive variance was attributed to sale motor vehicle above the expected amounts as well as sale of units in Millimani Apartment at a profit.

National Social Security Fund
Annual Reports and Financial Statements for the year ended June 30, 2020

	27,980,566,000	-	27,980,566,000	20,524,649,682	(7,455,916,318)	(27)
Total Income	27,980,566,000	-	27,980,566,000	20,524,649,682	(7,455,916,318)	(27)
Expenses:						
Management investment expense	746,500,000	-	746,500,000	534,883,716	211,616,284	28
Compensation of employees	4,663,192,000	-	4,663,192,000	3,820,005,857	843,186,143	18
Trustee' Emoluments	45,500,000	-	45,500,000	39,505,364	5,994,636	13
Travelling Costs	179,951,000	-	179,951,000	144,475,247	35,475,753	20
Transport Costs	82,500,000	-	82,500,000	36,397,546	46,102,454	56
Rent Expense	310,442,000	-	310,442,000	288,515,246	21,926,754	7
Printing, Stationery and Photocopying	47,610,000	-	47,610,000	28,246,829	19,363,171	41
Postage, Telephone and Internet Expenses	109,677,000	-	109,677,000	78,391,575	31,285,425	29
Electricity, Water, Security and Conservancy	91,603,000	-	91,603,000	74,532,793	17,070,207	19
Training Expenses	125,500,000	-	125,500,000	67,910,485	57,589,515	46
Repairs and Maintenance	196,470,000	-	196,470,000	152,843,671	43,626,329	22
Hospitality Material and services	3,530,000	-	3,530,000	2,717,139	812,861	23
Consultancy and Professional Expense	50,000,000	-	50,000,000	32,627,980	17,372,020	35
Legal Expense	50,000,000	-	50,000,000	102,089,190	(52,089,190)	(104)
Audit Fees	8,000,000	-	8,000,000	8,000,000	-	0



National Social Security Fund
Annual Reports and Financial Statements for the year ended June 30, 2020

SS Policy Development	50,000,000	-	50,000,000	135,060	49,864,940	100	Positive variance was occasioned by reduced activities geared to unlocking the NSSF Act in the year due to Covid-19, otherwise if all planned activities were undertaken it would have very high absorption
General Insurance	54,000,000	-	54,000,000	20,866,893	33,133,107	61	under absorption is attributable to delayed in delivery of Motor vehicles and other ICT related asset in the year as well as reduced insurance fees due to disposal of some assets during the year.
AGM Expenses	20,000,000	-	20,000,000	2,884,538	17,115,462	86	Positive variance was occasioned by government guidelines on social distance which meant no physical meetings in the year due to Covid-19, otherwise if all planned activities were undertaken it would have very high absorption
ISO Expenses	35,000,000	-	35,000,000	24,805,720	10,194,280	29	Positive variance was occasioned by reduced activities geared to recertification and implementation of new standard in the year due to Covid-19, otherwise if all planned activities were undertaken it would have very high absorption
Advertising and Publicity	35,000,000	-	35,000,000	35,225,113	(225,113)	(1)	Positive variance was occasioned by reduced marketing and social investment activities geared to improving the organisation image and marketing in the year due to Covid-19, otherwise if all planned activities were undertaken it would have very high absorption
Marketing expense	60,000,000		60,000,000	30,648,104	29,351,896	49	
Corporate Social Responsibility	22,500,000	-	22,500,000	21,833,927	666,073	3	
Finance Expense	10,000,000	-	10,000,000	25,888,569	(15,888,569)	(159)	over absorption of finance charges is attributed to high bank charges which we are negotiating with the bank to reduce the cost
Other Administrative Expense	84,645,000	-	84,645,000	106,217,525	(21,572,525)	(25)	over absorption of other administrative costs is attributed to activities not affected by Covid-19 like software licences.



National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

Depreciation & amortization	140,849,000	-	140,849,000	245,974,901	(105,125,901)	(75)	over absorption of is attributed to completion of operational asset under constructions projects which were transferred to complete assets and depreciation took effect
Provision	-	-	-	16,683,683	(16,683,683)	(100)	it was not envisaged that the provision of doubtful debts will increase.
Total Expenditure	7,222,469,000	-	7,222,469,000	5,942,306,668	1,280,162,332	18	
Surplus for the period	20,758,097,000	-	20,758,097,000	14,582,343,014	6,175,753,986	30	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Social Security Fund is established by and derives its authority and accountability from National Social Security Fund Act, 2013. The NSSF is wholly owned by workers who are members and contributors to the Fund. The Fund is domiciled in Kenya and its principal activity is provision of social security to workers in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a fair value accounting basis except for the measurement of amounts of items of property, plant and equipment. Marketable securities and other financial instruments are measured at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 44.

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, the State Corporations Act 2015, Income Tax Act 2012 and the National Social Security Fund Act 2013, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Fund is the lessee. Based on the Trustees' assessment, right of use assets are of immaterial values and therefore there is no need to recognise them as per IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Relevant new standards and amendments to published standards effective for the year ended 30 June 2020 (Continued)

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Fund is Income Tax exempt under the Income Tax Act and therefore this standard is not applicable.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met. The Fund does not deal in prepayable features with negative compensation and therefore the specific aspect on the standard is not applicable.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the Fund applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when the Fund obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the Fund originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an Fund to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the Fund re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or 1 January 2020, with earlier application permitted.

The current interpretation of materiality and treatment of transactions and balances by the Fund is consistent with the new definition and therefore no major changes have been considered.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The Trustees do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii) Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2020.

iii. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below:-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- i) **Contributions from employers/employees-** Comprises statutory and other payments due to NSSF under the National Social Security Fund Act, 2013 (I.e. contributions towards the Pension Scheme, Old and New Provident Funds. Statutory contributions are accounted for in the year they are due to the Fund while Voluntary contributions are accounted for in the year they are received.
- ii) **Interest income** – comprises of interest receivable from bank deposits and investment in securities, and is recognized in Statement of Changes in Net Assets Available for Benefits on a time proportion basis using the effective interest rate method.
- iii) **Dividend income** is recognized in the Statement of Changes in Net Assets Available for Benefits in the year in which the right to receive the payment is established.
- iv) **Rental income** is recognized in the Statement of Changes in Net Assets Available for Benefits as it accrues using the effective lease agreements.
- v) **Other income** is recognized as it accrues.
- vi) **Tenant Purchase Scheme and Loan Advances-** accrue from financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides loans, money or services directly to debtors with no intention of trading the receivables. All loans and receivables fall under this category and are stated at amortized costs. Receivables which do not carry interest rate are stated at their invoice amount.

b) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in Statement of Changes in Net Assets Available for Benefits.

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual rates in use are:

Annual Rates	%
Buildings and civil works	Nil
Freehold Land and Buildings	Revaluation
Motor Vehicles, including motor cycles	20
Computers and related equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20
Low Value Assets	100

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on *pro rata* basis. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use for a period of 3 years.

e) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Fund, are classified as investment property. Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in Statement of Changes in Net Assets Available for Benefits.

g) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

h) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK), long-term infrastructure bonds, and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

i) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

j) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government controlled entities and reputable private entities.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

l) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Fund and the same taxation authority.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of 12 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

p) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

q) Retirement benefit obligations

The Fund operates a defined contribution scheme for all full-time employees. The staff retirement pension scheme is administered independently by Zamara Actuaries, Administrators & Consultants Ltd and is funded by contributions from employees at 8% and employer at 16%. The Fund also contributes statutory National Social Security Fund (NSSF) deductions for its employees. This is a defined contribution scheme registered under the National Social Security Act, 2013. The Fund's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.360 per employee per month.

r) Actuarial Valuation

An actuarial valuation was carried out by Zamara Actuaries, Administrators & Consultants Limited in 2020 and the report approved by the Board of Trustees in the 183rd meeting of the Board on 30 July 2020 for the Fund balances as at 30 June 2019. In the same meeting, a 3% interest was approved on members' balances. The valuation was done on an Attained Age Method. The actuarial report indicates that the value of liabilities of the scheme as at 30 June 2019 was **Kes.223, 171 million** compared to the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

value of assets amounting to **Kes. 235,040 million** (Financial Statements) giving a surplus of **Kes. 11,869 million**, a funding level of 105.3%.

s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Fund operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

u) Budget information

The Fund's budget for FY 2019-2020 was approved by the Ministry of Labour and Social Security on recommendation by National Treasury on 23/10/2019. The Fund's budget and financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

v) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020. The preparation of the Fund's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

	2020	2019
	Kes	Kes
6 CONTRIBUTIONS		
Pension Contribution	13,752,056,698	13,846,883,983
Old provident	89,801,367	108,694,460
New Provident	541,352,347	507,996,777
Fines and penalties	414,964,299	526,886,258
Gross contribution for the year	14,798,174,711	14,990,461,477
Add: Accruals at end of the year	718,098,920	783,702,203
Less: Accruals at start of the year	(783,702,203)	(671,784,216)
Net contribution for the period	14,732,571,428	15,102,379,464

These amounts relate to contributions remitted to the Fund in respect of both provident and pension funds.

7 BENEFITS		
Age benefit	2,979,099,752	3,189,192,522
Survivors benefit	298,525,911	367,482,920
Invalidity benefit	13,720,024	17,680,343
Withdrawal benefit	1,124,833,688	1,344,614,667
Emigration benefit	14,956,881	16,967,304
Funeral grant	2,412,500	3,172,500
Net benefits for the period	4,433,548,757	4,939,110,256

A total of 70,159 benefit claims were processed and paid during the year. The amount reported combines the principal and interest components.

8 INVESTMENT INCOME		
Interest Income (note 8a)	15,943,248,107	13,122,271,808
Dividend Income (note 8b)	2,685,340,385	3,238,208,515
Rent Income (note 8c)	936,915,389	958,588,422
Parking Fees (note 8e)	128,592,280	156,178,372
Notional Rent (8d)	141,348,600	141,348,600
Mast Rent (8f)	14,483,125	4,520,215
Interest on TPS loans (note 8g)	473,625,548	567,056,308
Other Investment Income (note 8h)	64,024,471	100,109,918
	20,387,577,906	18,288,282,158

The Fund earned Kes 20 billion gross investment income, or 11% more than the previous year. This was an impressive performance considering the effects of Covid-19. However, the Fund's management remains cautious as it monitors the situation going forward.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8a INTEREST INCOME

Treasury bonds	14,367,893,356	10,602,481,615
Corporate bonds	360,389,247	939,722,452
Treasury bills	299,927,706	877,204,051
Call & Fixed deposits	915,037,798	702,863,691
	15,943,248,107	13,122,271,808

Increase in interest earned from treasury bonds is as a result of 18% increase in investment in treasury bonds. The reduction in interest earned from corporate bonds and treasury bills is as a result of reduction of assets due to redemption on maturity.

8b DIVIDEND INCOME

Bamburi Cement Ltd	-	298,810,594
Absa Bank Kenya Plc	144,017,549	138,850,461
British American Tobacco Kenya Ltd	75,026,206	108,253,811
CFC Stanbic of Kenya Holdings Ltd	15,070,440	12,398,376
East African Breweries Ltd	238,943,766	210,996,832
Equity Bank Ltd	-	255,027,338
I&M Holdings Ltd	4,904,160	3,750,240
Kenol Kobil Ltd	-	10,802,916
Kenya Commercial Bank Ltd	773,595,921	656,620,568
Kenya Power 4% Pref 20.00	-	2,840
Kenya Power 7% Pref 20.00	-	1,050
NCBA Bank Ltd Ord 5.00	29,227,529	18,285,054
Safaricom Ltd	962,085,148	1,041,633,390
The Co-operative Bank of Kenya Ltd	130,406,442	143,082,859
Britam Holdings Plc	57,641,051	-
Diamond Trust Bank Kenya Ltd	18,667,453	17,319,305
Jubilee Holdings Ltd	3,351,011	4,165,071
Kenya Re Insurance Corporation Ltd	3,231,560	14,201,784
KenGen Co. Ltd	-	101,377,863
Nation Media Group Ltd	12,861,402	42,871,339
Centum Investment Co Ltd	14,125,920	7,062,960
Scangroup Ltd	-	3,393,600
Stanbic Bank Uganda	-	916,402
Standard Chartered Bank Kenya Ltd	154,507,032	95,945,281
UAP Holdings	-	1,901,382
Stanlib Fahari I-REIT	24,250,425	24,283,875
CRDB Bank Plc	-	639,126
Umeme Ltd	23,427,371	25,614,198
	2,685,340,385	3,238,208,515

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8c RENT INCOME	2020 Kes	2019 Kes
SSH Nairobi	478,083,947	427,021,156
SSH Mombasa	70,694,058	85,740,216
Bruce House	177,811,766	168,436,868
View Park Towers	111,535,474	141,261,736
Hazina Towers	58,170,673	72,293,937
Hazina Trade Centre	25,608,952	50,735,305
Hazina South B	15,010,520	13,099,204
	936,915,389	958,588,422

There was a marginal decrease in rent income of 2% due to suppressed market for lettable space occasioned by the Covid-19 pandemic.

8d PARKING FEES		
SSH Nairobi	19,848,382	44,433,250
SSH Mombasa	3,018,200	4,561,800
Bruce House	19,593,500	21,403,000
View Park Towers	4,090,000	6,669,667
Hazina Towers	4,957,000	6,699,000
Hazina Trade Centre	17,620,626	17,089,337
Kenyatta Avenue	59,464,572	55,322,318
	128,592,280	156,178,372

The 18% decline in parking fees is due to suppressed activities occasioned by the Covid-19 pandemic.

8e NOTIONAL RENT		
SSH Nairobi	126,043,680	126,043,680
SSH Mombasa	7,500,480	7,500,480
Bruce House	7,123,200	7,123,200
View Park Towers	389,760	389,760
Hazina Towers	291,480	291,480
	141,348,600	141,348,600

8f MAST INCOME		
SSH Nairobi	2,186,790	1,832,415
SSH Mombasa	1,080,000	1,440,000
Bruce House	-	75,000
View Park Towers	804,800	1,172,800
Hazina Towers	10,411,535	-
	14,483,125	4,520,215

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kes	2019 Kes
8g INTEREST FROM TPS LOANS		
Staff	53,624,367	61,021,317
Other Customers	420,001,181	506,034,991
	473,625,548	567,056,308

The reduction on interest earned from Tenant Purchase Scheme (TPS) of 16% is as a result of reduced TPS loans by 13 % as a result of repayment mainly Nyayo Embakasi Estate.

8h OTHER INVESTMENT INCOME		
Profit on sale of houses	49,385,138	-
Chase bank	-	52,970,671
Imperial bank	-	26,691,233
Bank balance interest	10,298,005	13,875,901
Other miscellaneous	4,341,328	6,572,113
	64,024,471	100,109,918

9 FAIR VALUE GAIN ON REVALUATION

Corporate bonds	(141,098,206)	181,816,175
Treasury bonds	(1,234,898,293)	3,496,728,936
Quoted equities	(8,922,223,085)	(12,388,505,054)
Investment property	103,600,000	(638,830,625)
	(10,194,619,584)	(9,348,790,568)

During the year, the Nairobi Securities Exchange 20 share index dropped by 20% from 3273 to 2633. The drop in the market had a direct impact on the equity portfolio which dropped by 19% from Kes.65.39 billion to Kes.52.75 billion. The Fund's assets are marked to market in accordance to IFRS with IFRS 13 and IAS 26. Being a long-term investor, the situation is expected to correct in the long term. The Fund has also increased its Fixed Income exposure to mitigate the equity fluctuation.

10 GAIN ON REALISATION OF INVESTMENTS

Treasury bonds	164,377,886	(14,840,616)
Corporate bonds	(20,381,206)	356,998,745
Listed equities	87,099,108	48,406,493
Unlisted equities	(281,765,000)	-
	(50,669,212)	390,564,622

The negative performance is as a result of strategic disposal of poor performing securities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INVESTMENT MANAGEMENT EXPENSE

Fund managers' fees	355,665,587	245,197,421
Custodian fees	80,405,178	67,595,863
Actuarial & investment management fees	46,882,062	35,589,133
Land rent & rates	29,647,334	35,479,990
Asset valuation expense	22,283,554	20,243,646
	534,883,716	404,106,053

Investment management expense is a direct expense netted off from investment income when computing return on investment. The main driver is the level of investment assets and grows with the growth of assets. However, the Fund enjoys huge benefits of scale and the cost represents 0.21% of the net assets.

12 OTHER INCOME

Profit on sale of PPE	16,337,150	-
Miscellaneous Income	35,374,293	15,700,698
Interest on staff loans	25,068,636	32,935,754
Fines and penalties	5,942,822	6,549,620
Miscellaneous expenses recovered	615,000	557,700
	83,337,900	55,743,772

Other income represents miscellaneous receipts earned by the Fund mainly from interest charged on staff loans, fines charged on customers who issue unpaid cheques and other miscellaneous charges and disposal of property, plant and equipment items. Kes 16 million was earned from sale of fully depreciated motor vehicles and other items.

	2020	2019
	Kes	Kes
13 STAFF COST		
Salaries and Allowances	3,101,469,222	3,155,185,162
Pension and Gratuity	363,004,002	601,130,767
Medical Expenses	266,753,120	270,706,417
Staff Welfare	50,884,247	38,963,242
Insurance	31,387,273	39,225,661
Increase in provision for leave pay	6,507,994	-
	3,820,005,857	4,105,211,249

There was an overall decrease of 7% on staff cost mainly due to staff who exited on retirement. The Board of Trustees approved implementation of job evaluation which is likely to slightly increase the staff cost in the coming financial year as well as recruitment to fill the many vacancies left by retired staff.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**14 GENERAL ADMINISTRATIVE COST**

Trustee' Emoluments	39,505,364	62,781,341
Travelling Costs	144,475,247	176,112,103
Transport Costs	36,397,546	43,841,421
Rent Expense	288,515,246	284,201,348
Printing, Stationery and Photocopying	28,246,829	31,825,169
Postage, Telephone and Internet Expenses	78,391,575	79,156,395
Electricity, Water, Security and Conservancy	74,532,793	70,864,003
Training Expenses	67,910,485	116,719,908
Repairs and Maintenance	152,843,671	176,861,951
Hospitality Material and services	2,717,139	1,944,666
Consultancy and Professional Expense	32,627,980	27,808,377
Legal Expense	102,089,190	24,347,278
Audit Fees	8,000,000	8,000,000
SS Policy Development	135,060	6,806,337
General Insurance	20,866,893	30,110,708
AGM Expenses	2,884,538	12,443,012
ISO Expenses	24,805,720	75,950,587
Advertising and Publicity	35,225,113	33,065,541
Marketing expense	30,648,104	15,845,769
Corporate Social Responsibility	21,833,927	22,499,420
Finance Expense	25,888,569	23,784,065
Other Administrative Expense	106,217,525	43,766,747
Depreciation	245,348,727	154,930,951
Amortisation	626,173	52,181
	1,570,716,111	1,523,719,278

There was an overall 13% increase in operating expense mainly due to depreciation and legal fees expense.

15 PROVISIONS/ADJUSTMENTS

L.R.209/11642-Upperhill-Nairobi	-	115,000,000
Increase in provision for doubtful debts	16,683,683	23,431,395
	16,683,683	138,431,395

Provision relates to the Upper Hill plot whose title was revoked by the National Land Commission and increase in amount of unpaid cheques for contributions.

16 CASH AND BANK BALANCES

Cash balances	918,163	992,127
CFC Stanbic Bank	5,331,129	-
Cooperative Bank	(88,747,194)	329,709,077
Kenya Commercial Bank	(761,809,391)	132,576,603
Mpesa	536,626,383	-
National Bank of Kenya	170,291,327	(268,141,463)
Standard Chartered Bank	203,186,597	224,240,318
	65,797,015	419,376,662

The amount represents bank balances at the closure of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 DEPOSITS

Call deposits	6,793,000,000	3,554,300,000
Fixed deposits	8,852,705,000	6,104,878,400
	15,645,705,000	9,659,178,400

MOVEMENT

Opening balance	9,659,178,400	5,637,577,681
Additions during the year	95,624,186,677	94,149,900,137
Reductions during the year	89,637,660,077	90,128,299,418
Closing balance	15,645,705,000	9,659,178,400

The call and fixed deposits have been placed in a cross section of banks as represented on note 17a and 17b below.

17 a CALL DEPOSITS (Held to Maturity)

ABSA Bank Ltd	120,000,000	-
Stanbic bank	-	529,800,000
Cooperative Bank Ltd	1,280,000,000	588,500,000
Equity Bank Ltd	1,796,500,000	-
KCB Bank Ltd	68,800,000	-
National bank	2,000,000,000	2,000,000,000
NCBA Bank Ltd	1,527,700,000	436,000,000
	6,793,000,000	3,554,300,000

17 b FIXED DEPOSITS (Held to Maturity)

ABSA Bank Ltd	400,000,000	-
Cooperative bank	1,558,800,000	1,415,177,800
Equity bank	2,324,505,000	1,722,500,000
I&M Bank Ltd	500,000,000	-
SBM Bank Ltd	17,500,000	26,250,000
Kenya Commercial Bank	166,000,000	1,135,314,600
NCBA Bank Ltd	1,843,900,000	670,400,000
Stanbic Bank Ltd	2,042,000,000	1,135,236,000
Chase bank	17,029,329	17,029,329
Imperial bank	206,126,260	206,126,260
	9,075,860,588	6,328,033,988
Less: Provision for doubtful deposits	(223,155,588)	(223,155,588)
	8,852,705,000	6,104,878,400

Maturity analysis:

Already due	223,155,588	223,155,588
Maturing within 90 days	8,369,250,000	5,437,378,400
Maturing over 90 days	483,455,000	667,500,000
	9,075,860,588	6,328,033,988

The provision of Kes 223,155,588 relates to the remaining amounts of deposits placed in Imperial Bank of Kes 206,126,260 and Chase Bank Kes 17,029,329. These banks were put under statutory management by Central Bank of Kenya (CBK). To date 76% or Kes 52,970,671 held in Chase Bank and 21% or Kes 53,373,741 held in Imperial Bank has since been recovered. All fixed deposits will mature within 12 months.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 T. BILLS (SUMMARY AND MOVEMENT)	2020	2019
	Kes	Kes
Balance at the beginning of the year	5,994,518,873	8,019,139,643
Additions	2,126,167,460	8,098,460,160
Proceeds on maturity/disposals	(6,118,004,838)	(10,123,080,930)
Balance at the end of the year	2,002,681,495	5,994,518,873
Maturity Analysis:		
Between 0 and 90 days	1,602,180,370	2,661,494,734
Between 91 and 120 days	315,331,335	3,093,160,639
Between 121 and 180 days	85,169,790	239,863,500
Between 181 and 365 days	-	-
	2,002,681,495	5,994,518,873

The effective weighted interest rate on treasury bills was 8.9% for 2020.

19 T. BONDS (SUMMARY AND MOVEMENT)

Balance at the beginning of the year	105,033,078,822	81,025,644,288
Additions	30,558,750,000	46,017,652,171
Proceeds from disposal/redemption	(10,072,146,567)	(25,506,946,573)
Add: Fair value gain/(loss)	(1,234,898,293)	3,496,728,936
	124,284,783,962	105,033,078,822

Treasury bonds represent 49% of the Fund's total assets and earned 70% of total investment income. The Fund increased its Fixed Income exposure to mitigate the equity fluctuation that eroded value because of a poor run at the Nairobi Securities Exchange.

20 CORPORATE BONDS

African Banking Corporation Limited FXD Mtn	-	100,000,000
CBA Fixed Medium Term Note	410,599,016	1,217,494,831
Centum Equity Linked Bond	-	156,419,200
CFC Stanbic Multicurrency Medium Term Note	-	665,064,674
CIC Insurance Group Ltd Medium Term Note	-	883,548,309
CNTB.BD.08.06.20/13	-	105,147,165
CON.BD-FXD (SBN)/2012/7yr	-	10,000,000
CON.BD-FXD (SN)/2012/7yr	-	377,476,525
Eabl-FXD 02/2017/005	489,701,410	824,128,411
Eabl-FXD 01/2015/3 T1	-	877,925,369
FM FXD 5.5yr Bond	315,611,052	322,354,121
FXD (HFCK) 02/2012/7Yr 2nd Tranche	-	260,588,671
FXD UAP 1/2014/5yr	-	81,542,355
FXD CHASE 2015	534,700,000	534,700,000
Imperial 5.25yr FXD Bond	132,200,000	132,200,000
Kengen Infra Structure FXD	-	58,087,222
NIC Medium Term Note	-	1,016,926,780
REALPPLE 5yr fxd Bullet Note	183,693,405	183,693,405
	2,066,504,883	7,807,297,038
Less: Provision for Doubtful Bonds		
FXD CHASE 2015	534,700,000	534,700,000
Imperial 5.25yr FXD Bond	132,200,000	132,200,000
	1,399,604,883	7,140,397,038

MOVEMENT

Balance at the beginning of the year	7,807,297,038	8,344,118,892
Purchases	-	166,143,245
Disposal/redemption	(5,599,693,950)	(884,781,274)
Add: Fair value gain/(loss)	(141,098,206)	181,816,175
	2,066,504,882	7,807,297,038
Less: Provision for doubtful bonds	666,900,000	666,900,000
	1,399,604,882	7,140,397,038

Provision relates to Imperial bank and Chase bank bonds. These two banks were put under statutory management by CBK.

21 ACCRUED INCOME	Kes	Kes
Accrued Dividend Income (21 a)	1,235,610,522	1,824,251,537
Interest from T. bills and bonds (21 b)	3,438,004,280	3,083,651,353
Interest from Call and Fixed Deposits (21 c)	1,370,367,388	1,086,534,435
Interest from Corporate Bonds (21 d)	39,784,780	193,188,884
	6,083,766,970	6,187,626,209

Accrued dividend represents 29% and interest 71% of total accrued income. The Fund anticipates to receive all accrued income within six months. The sources of accrued dividend is as tabulated on note 21a below.

21a ACCRUED DIVIDEND INCOME		
Bamburi Cement	-	240,641,054
Kenya Commercial Bank	-	469,086,120
Jubilee Holdings Ltd Ord 5.00	2,855,800	3,672,888
Nation Media Group	4	30,009,939
Standard Chartered Bank Kenya Ltd Ord 5.00	127,831,442	5,704,940
Britam Holdings Plc	57,641,051	-
NCBA Bank Ltd Ord 5.00	25,134,818	-
Centum Investment Co. Ltd	7,062,960	-
CRDB Bank Plc	15,210	401,624
Safaricom Ltd	962,608,748	1,025,640,820
Stanbic Bank Uganda	77,879	526,345
Diamond Trust Bank Kenya Ltd Ord 4.00	18,667,455	17,319,305
Kenya Re-insurance Corporation	6,508,895	15,252,089
Umeme	27,206,261	15,996,413
Scangroup	-	2,142,750
	1,235,610,522	1,826,394,287
Less: Provision for Doubtful Income	-	2,142,750
	1,235,610,522	1,824,251,537

The Safaricom dividend was announced on 29th April 2020 and the payment date is 1st November 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kes	Kes
21b INTEREST FROM T. BILLS AND BONDS		
Treasury bonds	3,311,859,568	2,671,277,966
Treasury bills	126,144,712	412,373,387
	3,438,004,280	3,083,651,353

71% accrued interest income is from government securities and 25% from call and fixed deposits presenting a very low risk of recovery.

21c INTEREST FROM CALL AND FIXED DEPOSITS		
ABSA Bank Ltd	1,854,247	-
Barclays Bank Ltd	1,746,575	-
Co-op Bank Ltd	39,855,791	25,002,388
Equity Bank Ltd	47,748,117	8,408,897
I&M Bank Ltd	729,452	-
KCB Bank Ltd	2,101,742	1,971,836
NBK Bank Ltd	1,240,438,356	1,029,863,014
NCBA Bank Ltd	33,290,580	15,789,630
SBM Bank Ltd	1,960,336	1,282,223
CFC Stanbic Bank Ltd	642,192	4,216,447
	1,370,367,388	1,086,534,435

21d INTEREST FROM CORPORATE BONDS		
African Banking Corporation Limited FXD MTN	-	2,076,923
CBA Fixed Medium Term Note	2,258,011	5,751,721
Centum Equity Linked Bond	-	1,074,308
CFC Stanbic Multicurrency Medium Term Note	-	4,538,192
CIC Insurance Group Ltd Medium Term Note	-	27,415,143
CNTB.BD.08.06.20/13	-	789,420
CON.BD-FXD(SBN)/2012/7yr	-	593,407
CON.BD-FXD(SN)/2012/7yr	274,901	21,992,088
Eabl-FXD 02/2017/005	16,807,644	27,135,161
Eabl-FXD 01/2015/3 T1	-	30,051,000
FM FXD 5.5yr Bond	8,164,025	7,934,052
FXD (HFCK) 02/2012/7Yr 2nd Tranche	-	6,986,571
FXD UAP 1/2014/5yr	-	4,645,714
Kengen Infra Structure FXD	-	1,197,412
NIC Medium Term Note	2,082,074	40,947,459
REALPPLE5yrfxd Bullet Note	10,198,125	10,060,313
	39,784,780	193,188,884

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 STORES AND SUPPLIES	2020 Kes	2019 Kes
General office stationery	66,671,799	60,019,106
Office and computer accessories	10,309,053	8,971,430
Tools and electrical accessories	574,329	804,400
Safety materials and clothing	238,788	101,001
Hospitality materials	3,019,617	2,706,567
Motor vehicles spares	150,460	-
	80,964,046	72,602,504

Stores and supplies represent the value of items of stationery, consumables and other materials held in the stores as at 30 June 2020. A stock take to ascertain the value is carried at the end of every financial year and reconciliation carried out.

23 RECEIVABLES AND PREPAYMENTS	2020 Kes	2019 Kes
Rent debtors	770,109,437	632,588,301
TPS debtors	813,046,865	648,971,412
Deposits and advances	555,918,674	705,112,323
Prepayments	17,112	150,000
Contributions debtors (23a)	(65,603,283)	111,917,987
Taxes receivables (23b)	930,494,834	923,160,277
Unpaid Cheques	76,364,385	59,547,815
ECASSA debtors	9,211,610	9,211,610
Mutula Kilonzo	5,015,000	5,015,000
Commuted pension	2,645,193	2,645,193
Staff mortgage loans	6,919,827	6,917,601
Other loans	2,730,391	2,482,488
Advances and imprest	23,134,327	21,447,047
Staff Car loan debtors	27,930,096	28,817,268
Lloyd Masika Ltd	4,787,000	4,787,000
City Council of Nairobi	2,474,000	2,474,000
Staff pension debtor	4,587,969	4,587,969
Service Charge Debtors (23 c)	624,143,730	482,613,355
Other Debtors	-	4,452
	3,793,927,167	3,652,451,097
Less: Provision for bad debts		
Prepayments	17,112	150,000
Commuted pension	2,645,193	2,645,193
Staff pension debtor	4,587,969	4,587,969
ECASSA debtors	9,211,610	9,211,610
City Council of Nairobi	2,474,000	2,474,000
Mutula Kilonzo	5,015,000	5,015,000
Lloyd Masika Ltd	4,787,000	4,787,000
Bounces cheques	76,364,385	59,547,815
Total Provisions	105,102,269	88,418,586
	3,688,824,898	3,564,032,511

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The provision relates to long outstanding items whose recoverability has been judged to be doubtful. Effort to recover is ongoing but the provision is to ensure that the financial statements do not overstate the financial position of the Fund.

	2020	2019
	Kes	Kes
23a Contribution debtors		
Outstanding for less than 30 days	718,098,920	783,702,203
Less: Accruals at start of the year	(783,702,203)	(671,784,216)
Outstanding for less than 30 days	(65,603,283)	111,917,987
Outstanding for more than 30 days previous year	-	-
	(65,603,283)	111,917,987

Contribution debtors relates to contributions received or accrued 15 days after the close of a financial year but adjusted for timing differences. Due date for contribution is 15th of the subsequent month after payroll deduction which crosses over after year end closure.

23b Tax Receivable		
Tax refund due from KRA (1996,1997)	904,903,717	904,903,717
Other tax receivable	25,591,117	18,256,560
Total Outstanding	930,494,834	923,160,277

Out of the tax receivable of Kes 923,160,277, Kes 904,903,717 relates to an income tax return of Kes 1,067,606,204 filed in 1996 later established that an amount of Kes 493,257,328 was overpaid and a further Kes 411,646,389 income tax inadvertently paid to KRA in 1997 when the Fund had become income tax exempt in accordance with Section 45 of the First schedule of Income Tax Act Cap 470 which came into effect on 18 June 1996. The incidental refund of the same has remained outstanding and in 2019/2020 financial year, the same continues to be recognised as a debt.

The summary of Kes 904,903,717 is as follows:-

Year	Amount (Kes)	Comment
1996	493,257,328	Overpayment based on draft accounts
1997	411,646,389	Overpaid based on the Finance Bill 1996 which was different from Finance Act 1996. KRA is yet to refund in compliance to Section 90 (1)

The amount of Kes 25,591,117 relates to Kes 19,096,247 withholding tax on interest withheld by various banks and Kes 6,494,870 low interest tax.

23c Service Charge Debtors		
Opening	482,613,355	360,392,149
Increase in the year	141,530,376	122,221,205
Decrease in the year	-	-
Prior year adjustment	-	-
	624,143,730	482,613,355

Service charge debtors relate to amounts incurred to provide services to tenants to be recovered from future service charge after service charge audit.

	2020	2019
	Kes	Kes
24 STAFF LOANS		
Staff Car loans	245,915,928	267,988,749
	245,915,928	267,988,749

The Fund operates internally a staff car loan scheme at 4% interest repayable in 6 years. The amount relates to the outstanding principal amounts. Interest charged is recognised under other income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 TPS LOANS

TPS Loans-held by NSSF Employees	941,040,064	1,055,508,069
TPS Loans-held by Public	3,103,029,138	3,594,818,739
	4,044,069,201	4,650,326,808

Reduction of 14% in TPS loans is due to early repayment by home owners.

26 LONGTERM DEPOSITS

KCB (Mortgage Security deposit and Revolving Funds)	73,643,862	73,643,862
Housing Finance	514,811,649	508,515,807
National Bank of Kenya	413,664,730	362,406,645
	1,002,120,242	944,566,315

Long-term deposits are made up of staff mortgage security deposits and balances of mortgage revolving funds bank accounts. The Fund has a staff mortgage scheme advanced at 5% interest to staff. All cadres of staff enjoy the facility according to the Human Resource Policy.

27 QUOTED EQUITIES

Balance at beginning of the year	52,750,355,185	65,392,554,087
Purchases	12,014,831,029	1,504,974,310
Sales	(3,299,523,547)	(1,758,668,158)
Less: Fair Value gain/(loss) on valuation	(8,922,223,085)	(12,388,505,054)
Balance at end of the year	52,543,439,582	52,750,355,185

The Kes 8,922,223,085 billion is as a result of a slump of equity prices at the Nairobi Securities exchange reflected on the fall of the NSE 20 share index equity market. Being a long-term investor, short term price fluctuation will be corrected over time. The Fund has mitigated the equity fluctuation by increased investment in government securities.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020



Number of Shares at 30.06.2019	Additions	Disposals	Number of Shares as at 30.6.2020	Price	Description	Market value as at 30.06.2019 Kes	Additions (Purchases) Kes	Disposal Proceeds Kes	Market gain/(loss) Kes	Market value as at 30.06.2020 Kes
97,135,746	-	6,741,828	90,393,918	1.92	Kenya Power Ordinary Shares	377,858,052	-	14,088,859	(190,212,870)	173,556,323
3,550	-	-	3,550	5.00	Kenya Power Cum Preference Shares	17,750	-	-	-	17,750
750	-	-	750	6.00	Kenya Power Cum Preference Shares	4,500	-	-	-	4,500
26,674,724	5,046,400	2,159,750	29,561,374	162.50	East African Breweries Ltd	5,328,276,119	888,603,482	451,941,296	961,215,029	4,803,723,275
2,477,936	-	253,800	2,224,136	317.75	British American Tobacco (K) Ltd	1,238,988,000	-	124,208,608	408,040,178	706,719,214
258,191,734	-	47,465,700	210,726,034	5.32	Kengen Company Ltd	1,533,658,900	-	264,077,847	148,518,552	1,121,062,501
58,892,940	200,000	-	58,892,940	28.00	Bamburi Cement Co. Ltd	6,646,975,455	21,382,322	-	5,019,355,457	1,649,002,320
24,300,000	-	-	24,300,000	12.60	E. A. Portland Cement Ltd	388,800,000	-	-	82,620,000	306,180,000
187,228,348	78,332,934	10,108,373	255,452,909	36.35	Kenya Commercial Bank Ltd	7,161,484,311	3,036,075,800	488,988,910	422,877,959	9,285,713,242
28,588,639	-	4,572,000	24,016,639	4.41	Housing Finance Group	114,640,443	-	31,325,437	22,588,373	105,913,379
2,838,776	-	-	2,838,776	3.50	Sameer Africa Ltd	8,715,042	-	-	1,220,674	9,935,716
162,802,750	-	162,802,750	-	-	National Bank of Kenya Ltd	674,003,385	-	618,813,252	55,190,134	-
126,227,708	28,952,400	20,443,800	134,736,308	10.00	Barclays Bank of Kenya Ltd	1,319,079,549	306,081,669	270,016,004	7,782,133	1,347,363,080
5,185,118	617,746	-	5,802,864	169.75	Standard Chartered Bank Kenya Ltd	1,007,209,172	117,419,114	-	139,592,122	985,036,164
8,574,268	-	-	8,574,268	15.40	Nation Media Group Ltd	420,139,132	-	-	288,085,405	132,043,727
2,957,500	-	-	2,957,500	5.55	Athi River Mining Ltd	16,414,125	-	-	-	16,414,125
29,131,865	61,447,466	-	90,579,331	2.14	Kenya Re Insurance Corporation Ltd	109,535,812	9,288,035	-	75,005,921	193,839,768
230,564,205	-	-	230,564,205	7.62	Britam (K) Ltd	1,890,626,481	-	-	133,727,239	1,756,899,242
548,471,027	145,795,450	6,763,100	687,503,377	28.65	Safaricom Limited	15,412,035,859	4,194,560,149	196,162,809	286,538,552	19,696,971,751
459,111	36,100	138,236	356,975	242.00	Jubilee Holdings	183,529,622	13,600,606	48,651,738	62,090,540	86,387,950
2,137,651	-	-	2,137,651	84.25	CFC Stanbic of Kenya Holdings Ltd	211,627,449	-	-	31,530,352	180,097,097
5,885,800	-	-	5,885,800	25.55	Centum Investment Co. Ltd	184,814,120	-	-	34,431,930	150,382,190
50,000	-	50,000	-	-	Scangroup Ltd	552,500	-	570,498	17,998	-
142,282,860	9,044,582	11,876,418	139,451,024	12.15	The Cooperative Bank of Kenya Ltd	1,707,394,320	113,829,672	152,059,326	25,165,276	1,694,329,942
14,628,045	7,164,400	-	21,792,445	26.55	NCBA Bank Ltd	447,618,186	190,071,334	-	59,100,098	578,589,423
128,236,669	76,585,245	13,817,600	191,004,314	34.70	Equity Bank Ltd	4,994,818,258	3,061,814,382	604,120,064	824,662,881	6,627,849,696



National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020

6,661,271	540,000	287,400	6,913,871	70.75	Diamond Trust Bank Kenya Ltd	784,364,660	62,094,464	34,125,374	-	323,177,377	489,156,373
5,005,735	-	-	5,005,735	7.03	Ememe Ltd-Uganda	41,575,983	-	-	-	6,390,547	35,185,436
15,427,981	-	-	15,427,981	7.14	Ememe Ltd-Kenya	128,360,802	-	-	-	18,205,018	110,155,784
32,378,500	-	44,600	32,333,900	5.90	Stanlib Fahari I-REIT	297,882,200	-	393,524	-	106,718,668	190,770,008
1,923,200	-	-	1,923,200	50.00	I&M Holdings Ltd	105,776,000	-	-	-	9,616,000	96,160,000
1,140,000	-	-	1,140,000	6.22	CRDB Bank PLC (TZ)	5,570,188	-	-	-	1,523,847	7,094,035
10,000,000	-	-	10,000,000	0.69	Stanlib Uganda	8,028,810	-	-	-	1,143,240	6,885,570
2,166,264,408	413,762,723	287,525,355	2,292,501,775			52,750,355,185	12,014,831,029	3,299,623,647	-	8,922,223,085	52,543,439,582

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 UNQUOTED EQUITIES	No. of units		
Consolidated Bank Ltd			
i. 4% Kes. 20 Cumulative preference shares	8,050,000	161,000,000	161,000,000
ii. Kes. 20 Ordinary shares	2,225,000	86,694,264	86,694,264
UAP Holdings Ltd	1,118,460	249,987,461	249,987,461
Fanisi Fund II	156,916	16,291,130	7,246,249
National Bank N/Cum pref shares	235,000,000	-	1,175,000,000
		513,972,854	1,679,927,974
MOVEMENT			
Opening balance		1,679,927,974	1,676,393,760
Additions during the year		9,044,880	3,534,214
Reductions during the year		1,175,000,000	-
Closing balance		513,972,854	1,679,927,974

On 16th August 2019, National Bank of Kenya acquired by KCB PLC 100% where one NBK cumulative preference share was converted into one NBK ordinary share after which ten NBK ordinary share were converted into one KCB PLC ordinary share. In total, NSSF was allocated 8272,500 KCB PLC shares now valued at market prices traded at Nairobi Securities Exchange.

30 ASSETS UNDER CONSTRUCTION

Mavoko Project	1,805,621	1,805,621
Tassia Scheme	105,158,476	105,158,476
Hazina Trade Centre	3,585,338,565	2,480,782,310
Kitisuru Roads	-	36,432,620
Field Office Refurbishment	41,861,764	36,425,441
Nyayo Embakasi	277,151,628	277,151,628
SSH Nairobi transformer	7,573,110	-
SSPAS Reimplementation	192,490,765	167,945,837
ICT Server upgrades	55,976,380	-
EDRMS System	148,467,834	64,998,224
SAP Additional Modules	179,699,848	29,914,248
Bamburi Plot	197,000	197,000
Branch Generators	1,365,016	-
Mavoko Plot	26,962,222	12,629,502
Gross Amount	4,624,048,230	3,213,440,907
Less: Impairment of Kitisuru	-	36,432,620
Net Amount	4,624,048,230	3,177,008,287
MOVEMENT		
Opening balance	3,177,008,287	6,203,801,502
Additions during the year	1,447,039,943	555,691,690
Transfer of complete assets	-	3,546,052,285
Impairment	-	36,432,620
Closing balance	4,624,048,230	3,177,008,287

The change is due to settlement of assets under construction to complete asset now listed under investment property and property, plant and equipment.



National Social Security Fund
Annual Reports and Financial Statements for the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 INVESTMENT PROPERTY

	Fair value 30.06.2020 Kes	Additions Kes	Disposal Proceeds Kes	Fair value adjustments Kes	Balance 30.06.2019 Kes
a) Developed Property					
Social Security House Nairobi L.R. No: 209/13920	8,620,000,000	-	-	52,000,000	8,568,000,000
Social Security House Mombasa L.R. No: Block XXV/123	1,500,000,000	-	-	-	1,500,000,000
Bruce House L.R. 209/6776 (I.R. No: 21769)	2,915,000,000	-	-	15,000,000	2,900,000,000
Hazina Trade Centre L.R. No. 209/6708 (I.R.No.21457)	3,237,000,000	-	-	14,000,000	3,223,000,000
View Park Towers L.R.No: 209/8595 (I.R.No: 29601)	2,542,000,000	-	-	12,000,000	2,530,000,000
Hazina Towers L.R.No: 209/10567(I.R.No:43170)	1,568,000,000	-	-	8,000,000	1,560,000,000
Hazina South B L.R. No: 92/1598,1599,1600	360,000,000	-	-	2,600,000	357,400,000
Hazina Plaza- Polana Mombasa L.R. MSA/Block XX/328&329	530,000,000	-	-	-	530,000,000
Kisumu Estate-Kisumu L.R. No. Kisumu/Mun/Block 8/258	220,000,000	-	-	-	220,000,000
Milimani Executive Apartments	2,716,445,079	100,435,376	265,614,862	-	2,881,624,564
Nyayo Estate Embakasi	42,495,787	-	22,500,000	-	64,995,787
Sub-total	24,250,940,866	100,435,376	288,114,862	103,600,000	24,335,020,351
b) Undeveloped Land					
Kenyatta Avenue Plots L.R. No: 209/11331,11412,12287,12219,12220	4,000,000,000	-	-	-	4,000,000,000
L.R. 20694,24575,20305-Mavoko-Sabaki	4,215,000,000	-	-	-	4,215,000,000
Bamburi Plots L.R. No: MNI/2535,2537,2539,2540	1,125,000,000	-	-	-	1,125,000,000
Mtwapa Plot Jamboree L.R. No. MSA/MN/982-Mombasa	640,000,000	-	-	-	640,000,000
L.R. 20589-Makutano Junction	425,000,000	-	-	-	425,000,000
Forest Edge	160,000,000	-	-	-	160,000,000
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Tassia Estate	20,264,784	-	-	-	20,264,784
Sub-total	10,700,264,784	-	-	-	10,700,264,784
Total Investment Property	34,951,205,651	100,435,376	288,114,862	103,600,000	35,035,285,136
Less: Provision for Impairment					
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	115,000,000
Forest Edge	160,000,000	-	-	-	160,000,000



National Social Security Fund
Annual Reports and Financial Statements for the year ended June 30, 2020

Total provision for impairment	275,000,000	-	-	275,000,000
Net Investment Property	34,676,205,651	100,435,376	288,114,862	103,600,000
				34,760,285,136

	2020	2019	2019
	Kes	Kes	Kes
MOVEMENT			
Opening balance	35,035,285,136		31,922,923,839
Additions during the year	100,435,376		3,881,755,189
Reduction/disposal during the year	(288,114,862)		(62,700,000)
Gain/(loss) on revaluation	103,600,000		(638,830,625)
Transfer to Asset under Construction	-		(67,863,267)
	34,951,205,651		35,035,285,136
	(275,000,000)		(275,000,000)
Less: Impairment	34,676,205,651		34,760,285,136

Additions during the year relate to Milimani Executive Apartments. Disposal of investment property relates to sale of houses in Nyayo Embakasi and Milimani Executive Apartments. Impairment relates to Forest Edge plot and Upper Hill Plot whose title was revoked by the National Land Commission.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020



31. PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE 2019-2020 FY

	Motor Vehicle	ICT	Furniture	Equipment	Fittings	Software	Totals
	Kes	Kes	Kes	Kes	Kes	Kes	Kes
<u>COSTVALUATION:</u>							
Opening carrying value as at 1st July 2018	539,456,347	1,349,995,185	291,245,659	359,507,988	47,343,882	568,490,361	3,156,039,421
Additions During the year	-	266,651,362	16,513,324	18,855,692	77,360	-	302,097,738
Transfer from asset under construction	-	-	-	57,308,640	70,684,300	1,878,520	129,871,460
Disposal	-	-	-	-	-	-	-
Closing carrying value as at 30 June 2019	539,456,347	1,616,646,547	307,758,983	435,672,319	118,105,542	570,368,881	3,588,008,619
Opening carrying value as at 1st July 2019	539,456,347	1,616,646,547	307,758,983	435,672,319	118,105,542	570,368,881	3,588,008,619
Additions During the year	56,037,750	35,580,736	3,773,501	2,478,258	178,980	-	98,049,225
Disposal	50,742,597	41,528,015	6,183,950	29,870,923	152,911	-	128,478,396
Closing carrying value as at 30 June 2020	544,751,500	1,610,699,268	305,348,533	408,279,655	118,131,611	570,368,881	3,557,579,448
<u>DEPRECIATION</u>							
Opening balance as at 1st July 2018	389,623,928	1,242,718,638	190,024,483	269,635,594	43,936,421	568,490,361	2,704,429,425
Disposal	-	-	-	-	-	-	-
Charge for the year	54,451,009	59,719,064	19,219,419	18,911,927	2,629,533	52,181	154,983,132
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2019	444,074,938	1,302,437,701	209,243,902	288,547,521	46,565,954	568,542,542	2,859,412,558
Opening balance as at 1st July 2019	444,074,938	1,302,437,701	209,243,902	288,547,521	46,565,954	568,542,542	2,859,412,558
Disposal	50,742,597	41,528,015	6,178,557	29,796,219	152,911	-	128,398,300
Charge for the year	49,507,756	136,977,238	17,618,495	26,282,154	14,963,085	626,173	245,974,901
Reclassification to Low asset value	-	-	-	-	-	-	-
Closing balance as at 30 June 2020	442,840,097	1,397,886,924	220,683,840	285,033,455	61,376,128	569,168,715	2,976,989,159
NBV as at 30 June 2019	95,381,409	314,208,846	98,515,081	147,124,798	71,539,588	1,826,339	728,596,061
NBV as at 30 June 2020	101,911,403	212,812,344	84,664,694	123,246,199	56,755,483	1,200,166	580,590,289



Property, plant and equipment include the following items that are fully depreciated:

CLASS	Cost	Annual Depreciation Charge
IT Hardware	1,215,786,980	405,262,327
Motor Vehicle	295,157,053	59,031,411
Office Equipment	190,564,495	19,056,449
Office Furniture	130,822,633	16,352,829
Fitting & Furnishing	43,144,588	8,628,918
	1,875,475,748	508,331,933

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kes	Kes
32 PAYABLES AND ACCRUALS		
Payables due to Vendors	320,002,494	198,370,872
House Purchase deposits	444,447,625	694,191,608
Tassia infrastructure deposits	496,606,162	487,878,461
Sundry creditors and accruals (note 32 a)	254,255,543	267,892,930
Statutory deductions	2,093,585	4,660,068
Returned benefits	268,740,624	269,378,392
Provision for leave pay and gratuity (note 32 b)	43,198,110	36,690,116
	1,829,344,143	1,959,062,448

32a Analysis of Sundry Creditors and Accruals

Tax Payable	42,214,754	66,840,970
Rental deposits	202,252,299	191,268,342
Provision for audit fees	8,000,000	8,000,000
TPS Sundry Creditors	1,788,490	1,783,617
	254,255,543	267,892,930

32b Provision for leave pay and gratuity	36,690,116	36,690,116
Increase during the period	6,507,994	-
Reduction in Provision leave pay	-	-
	43,198,110	36,690,116

33 Taxation

According to Section 45 of the First schedule of Income Tax Act Cap 470 effective 18 June 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security Fund (Exemption) Rules 2002, effective 1 July 2002 the Fund should comply with certain regulations for it to remain exempted.

34. Compliance with retirement benefits act

In compliance with Retirement Benefits Act, NSSF maintains employer contribution clearing accounts where total contributions are posted from employers to the credit of member accounts for benefits payment upon qualification as per the Act. During the year, the contributions in transit balance increased from **Kes.290 Million** as at 30 June 2019 to **Kes.439 Million** as at 30 June 2020.

35. Disposal of interest in National Bank of Kenya

On 16th August 2019, National Bank of Kenya was acquired by KCB PLC 100% where one NBK cumulative preference share was converted into one NBK ordinary share and ten NBK ordinary shares converted into one KCB PLC ordinary share. In total, NSSF was allocated 8,272,500 KCB PLC shares now valued at market prices traded at Nairobi Securities Exchange.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Before then, National Bank of Kenya was an associate of NSSF though not consolidated in the financial statements. The valuation of the financial stake of the Fund in NBK as at 30th June 2019 was as follows:

Profit after taxation (48.05%*97,190,000)	46,699,795	943,994,000
Accumulated Surplus/(Deficit) (48.05%*3,145,589,000)	-	735,415,000
	46,699,795	1,679,409,000

36. RELATED PARTY DISCLOSURES
Income Earned from Related Parties

Kenya Commercial Bank – Dividend income	773,595,921	656,620,568
NSSF SACCO Society Ltd-Rental Income	7,127,897	7,127,897
	780,723,818	663,748,465

The related party income includes rent and dividend income earned during the year.

b. Board of Trustees Remuneration and Expenses

Board Expenses	39,505,364	62,781,341
	39,505,364	62,781,341

c. Employees

Tenant Purchase Staff Loans	941,040,064	1,055,508,069
Car Loans	245,915,928	267,988,749
Advances and Imprest	23,152,846	21,447,047
	1,210,108,838	1,344,943,865

The Fund provides qualifying employees with car and housing loans on terms more favourable than the market rate. The benefits obtained by staff are subjected to income tax as required under the Kenya Income Tax Act.

37. Contingent assets and liabilities
a) Contingent Assets

In the financial year 2012/2013, The Board of Trustees approved exclusion of impaired assets from the Financial Statements. The cases to recover the assets are being pursued in courts of law and the current status of the cases is as follows:

i. Properties in Gazetted Areas

The Fund acquired investment properties in gazetted areas in New Muthaiga L.R. No.209/12274 measuring 18.41 hectares (located within Sigiria Block which is part of the Karura Forest Reserve), Ngong Road L.R.Nos.20840 and 20841 lying next to Lenana School (part of Ngong Forest).

New Muthaiga

The Fund filed a case under (formerly 147 of 2004) NSSF Board of Trustees VS-Kitisuru Limited and Geoffrey Chege Kirundi, Mike Maina Kamau, Commissioner of Lands and Attorney General. The case is ongoing and is at hearing stage. EACC is currently investigating the matter.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Ngong Road Plot LR. Nos.20840 & 20841

The Fund filed a case in court under Milimani HCCC NO. 162 of 2005 NSSF vs Kerios Farm Ltd. The case is ongoing. On 15 July 2014 EACC wrote to the Fund informing it that it is investigating the matter. The title to the property was revoked vide a Kenya Gazette Notice No.3640 dated 1 April 2010. As per the Gazette Notice revoking the title, the parcel of the land had been reserved for public purposes and the allocation was therefore illegal and unconstitutional. The Fund was not given a hearing or any formal notification of the revocation of title.

The Fund is engaging the Chairman, National Land Commission and the Commissioner of Lands seeking for the reinstatement of the title of L.R. No.209/11642 and no positive reply has been received to date. As at 30 June 2015, the valuation of the land stood at Kes.115 million.

ii. The amount of Kes.251,516,000.00 invested in Euro Bank

An amount of Kes.251, 516,000.00 invested in Euro Bank and expected to have matured on 28 February 2002 had not been redeemed, as the Bank was placed under receivership in 2003.

The Fund initially won the case against Shah Munge & Partners and was awarded Kes.258, 133,333.00. In 2013, the Fund identified 5,250,000 NSE shares valued at 250,000,000.00 belonging to Shah Munge, but another company by the name Southern Bell Ltd went to court claiming ownership of the shares.

The company lost the case blocking the Fund from selling the 5,250,000.00 shares for Euro Bank valued at Kes.250, 000,000.00. The Fund sold the shares including a bonus of 17,500,000 shares for Kes. 92,681,284.40, out of which Kes. 23,523,743.30 was retained and paid out as legal fees and other costs.

iii. Rental income

Rental income amounting to Kes.30, 681,000 collected from tenants in Bruce House, Hazina, Viewpark Towers and Nyayo Estate by various property agents had not been remitted to the Fund as at 30 June 2020. Efforts to implement a court decree in favour of the Fund entered by consent vide HCCC No.859 of 1997 have not been successful and on 14th July 2014 the matter was picked by the EACC for investigation. The Fund lawyers are trying to trace the assets of the company.

iv. Discount Securities Ltd

The amount of Kes.1, 201,143,000 in respect of shares purchased through Discount Securities Limited. The matter is before the Anti-Corruption Court - Milimani - Discount Securities Case File No.141/267/2010, Court File No. ACC 15 of 2010 (Republic-vs-Francis Moturi Zuriels & Others), Fund witnesses are giving evidence. Recovery of the amount is still being pursued through the Court Case ACC 15 OF 2010 filed by EACC against the suspected culprits. The case is ongoing.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**v. Cash Losses Westlands Branch Fraud (cash losses)**

The amount of Kes.7,243,030 was lost through fraud at the Branch. The matter is before a court of law for determination though fully provided for in the Financial Statements for 30 June 2015. The case is ongoing.

vi. Kenya College of Medicine

This tenant at both Hazina and View Park Towers presented fake cash deposit slips for receipting that were subsequently discovered. The case is before a court of law and the amount of Kes.9,327,627 in question has been provided for as contingent.

vii. Contribution Arrears and Penalties as at June 2020

Contributions receivable estimated to be Kes 7,436,817,732 have not been included in the financial statements. This comprises of mandatory contributions of 1,537,129,161 and penalties of 5,899,688,571. These contributions are based on estimates made on employer and the outstanding penalty is estimated based on previous late payments. The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

b) Contingent Liabilities

The major cases that may give rise to contingent liabilities during the year are as follows:

i. Nyayo Estate Embakasi Phase Six

Nyayo Embakasi Residents Association (NERA) instituted legal proceedings in the High Court of Kenya at Nairobi Environment and Land Division ELC NO.1170 of 2014 seeking to stop construction of the project because of environmental concerns. This has resulted in delay in completion of the works and this has led to the expiry of the Bank guarantee and the mobilization fee of Kes.215, 540,774.00 is at risk. The value of work done is thus KES 274.7 million against the payment of KES 227.9 million. This implied that the Fund's exposure is KES 168.7 which will be claimed based on the terms of the contract.

ii. Nyayo Estate, Embakasi (Mugoya Construction)

Mugoya Construction Company Limited has sued the Fund claiming Kes.7.058 billion against a counter claim by NSSF of Kes.9.873 billion. Included in project costs for Nyayo Estate, Embakasi and the counter-claim are questionable payments of Kes.324.356 million made to Mugoya Construction Company Limited without security. The Fund is of the opinion that the possibility of Mugoya Construction Company Limited succeeding is remote. These and other matters relating to dealings with Mugoya Construction Company Limited are under arbitration for determination.

However, full provision of Kes. 324.36 million was made in the 2008/2009 Financial Statements. To date, the arbitration process is still ongoing.

iii. Construction of Hazina Trade Centre

M/s China Jiangxi International Kenya Ltd was awarded contract No.21/2012-2013 to construct Hazina Trade Centre at a cost of Kes.6, 715,218,188.00. A total of Kes.1, 912,043,004.00 has been paid to date. Nakumatt Ltd, the main Tenant in Hazina Trade

Centre, has raised legal concerns and instituted a claim of Kes.1, 630,323,151.00 which led to delay in project completion. The matter is still pending in Court. Nakumatt is undergoing bankruptcy proceedings. The Fund evicted Nakumatt out of the building and works resumed with an expected completion date of 30 June 2021.

38. Financial risk management policies

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board of Trustees has established various Board committees, which are responsible for developing and monitoring the Fund's risk management policies in their specific areas.

All Board committees report regularly to the Board of Trustees on their activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Fund, through its training and management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Committee is assisted in these functions by Audit & Risk department which undertake reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

The Fund's financial risk management objectives and policies are detailed below:

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in **note 1** to the Financial Statements.

b) Financial Risk Factors

The Fund's overall risk management programme seeks to maximize the returns derived from the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's performance. The management of these risks is carried out by the Management and Fund Managers under investment policies approved by the Board of Trustees.

c) Foreign Currency Risk

The Fund does not hold any of its bank balances in foreign currency. The fluctuations in currency exchange rates therefore do not expose the Fund to foreign currency risk. IFRS 7 considers the foreign exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, Management monitors the exposure on all foreign currency denominated assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Liquidity Risk Management

The Fund is exposed to daily operational payments and payment to claims payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Fund sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

Ultimate responsibility for liquidity risk management rests with the Management of the Fund, who have built an appropriate liquidity risk management framework. The Fund manages this risk by maintaining enough funds for its operations through continuous monitoring of forecast and actual cash flows. In order to manage the Fund's overall liquidity, the Management monitors the Fund's liquidity position on a daily basis.

The contractual maturities of financial liabilities are shown below:-

Liquidity Risk

As at 30 June, 2020	Less than 12 Months	Over 12 Months	Total
	Kes	Kes	Kes
Investment Assets:			
Investments at quoted market values	2,002,681,495	178,227,828,426	180,230,509,921
Investments at estimated fair	15,711,502,015	35,190,178,505	50,901,680,520
Other assets:			
Inventory	-	80,964,046	80,964,046
Receivables & Prepayments	3,688,824,898	-	3,688,824,898
Accrued Income	6,083,766,970	-	6,083,766,970
Long Term Deposits	-	1,002,120,242	1,002,120,242
TPS loans	-	4,044,069,201	4,044,069,201
Staff Car loans	-	245,915,928	245,915,928
Assets Under Construction	-	4,624,048,230	4,624,048,230
Property, Plant and Equipment	-	580,590,289	580,590,289
Total Assets	27,486,775,378	223,995,714,868	251,482,490,245
Liabilities:			
Accounts Payable	(1,829,344,143)		(1,829,344,143)
Net Assets	25,657,431,235	223,995,714,868	249,653,146,103

39. Currency

The Financial Statements are presented in **Kenya shillings (Kes)**.

National Social Security Fund

Annual Reports and Financial Statements for the year ended June 30, 2020



Ref. No on the audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
1.	<p>1.1 Unaccounted for Members' Contributions</p> <p>1.1 Contributions in Transit not posted to individual members' accounts amounting to Kshs.290 million as at 30 June 2019.</p>	<p>The outstanding balance of Kshs.290 million is due to receipting of assessed arrears for past periods. The Fund receives monthly returns from employers which sometimes contain wrong member details such as invalid member numbers or mismatched employee names and member numbers which take time to match and resolve at the time of receipting the payments to NSSF. Clearance of the outstanding balance is an ongoing activity.</p>	Acting General Manager (Social Security)	Work in progress	31 January 2021
	<p>1.2 Unremitted Members' Contributions estimated at Kshs. 5,702,745,355.40 had been included in the financial statements under contingent assets.</p>	<p>The Fund has acted to collect this outstanding contribution, actions which include: - court actions by ODPP, ADR and engaging with the Intergovernmental Relations Technical Committee (IRTC). A huge chunk of the amount is owed by government entities and the defunct local authorities.</p>	Acting General Manager (Social Security)	Work in progress	30 June 2021
2	<p>2. Payables and Accruals balances</p> <p>2.1 Goods Receipt/Invoice Receipts (GR/IR) Clearing Account with an outstanding balance of Kshs. 176,797,954.82.</p>	<p>The open items in the GR/IR clearing account have been investigated and found to be erroneous. The related invoices were settled in the past without following PO-GRN-INVOICE route when learning on the use of the SAP was happening. Part of the balance has</p>	Manager Procurement and Finance	Work in progress	30 June 2021

	<p>2.2. Long Outstanding Payables and Accruals</p>	<p>been adjusted and reconciliation is ongoing to bring the balance to zero.</p>	<p>Manager Finance</p>	<p>Work in progress</p>	<p>31 October 2020</p>
<p>3.</p>	<p>3.0 Unreconciled Cash and Bank balances</p>				
	<p>3.1 Receipts in Bank Statements not in Cashbook. Bank reconciliation statements for the Fund's bank accounts reflected receipts in the bank totaling Kshs. 2,063,448,078.76 on 30 June 2019 with some receipts dating back to July 2014 but were not recorded in the cashbooks as required.</p>				
	<p>3.2 Receipts in Cashbook not in Bank Statements. The bank reconciliation statements for the year ended 30 June 2019 further reflect receipts amounting to Kshs. 1,658,301,341.73 in the cashbook with some dating back to 24 July 2014 but not reflected in the bank statements</p>				
	<p>3.3 Payments in Bank Statement not in Cashbook. The bank reconciliation statement also reflects payments in the bank not yet recorded in the cashbook totaling Kshs. 498,906,547.62 as at 30 June 2019 with some dating back to 2012.</p>				
	<p>3.4 Payments in Cashbook not in Bank Statement/Unpresented Cheques. The bank reconciliation statements provided also reflects payments totaling Kshs. 1,751,322,101.39 as payments in cashbook not in bank statement. Included in this figure were payments amounting to Kshs.1,745,080,309.24 whose reconciling items were either unclear, not comprehensive or long outstanding with some dating back to 2012. The amounts have not yet been reflected in the cashbook as at 30 June 2019.</p>				

4	<p>Unremitted and Declining Returns on Investments.</p> <ul style="list-style-type: none"> a. Rental income of Kshs.30, 681,000 collected from tenants in Bruce House, Hazina Trade Centre, Viewpark Towers and Nyayo Estate by various property agents but had not been remitted to the Fund as at 30 June 2019. b. Kenya College of Medicine, a tenant and who occupied offices at both Hazina and View Park Towers presented fake cash deposit slips amounting to Kshs. 9,327,627. c. Mombasa Social Security House continue to attract fewer tenants compared to earlier periods leading to decline in income. 			
5.	Assets under construction			
	5.1 Hazina Trade Centre			

