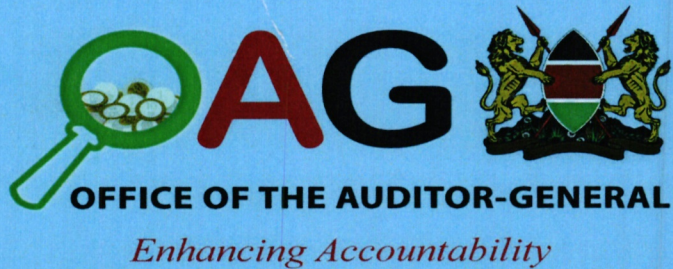


REPUBLIC OF KENYA



# REPORT

OF

PARLIAMENT  
OF KENYA  
LIBRARY

## THE AUDITOR-GENERAL

ON

## RETIREMENT BENEFITS AUTHORITY

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

THE NATIONAL ASSEMBLY  
PAPERS LAD

DATE: 05 AUG 2021

TWUC

TABLED BY:

The majority whip  
Hon. E. Wangwe

CLERK/TREASURER:

Mairah wanjiku





**Retirement Benefits Authority**

**International Public Sector Accounting Standards (IPSAS)  
Annual Financial Reporting Template for  
Regulatory and Other Non - Commercial Government Owned Entities**  
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament  
or a Legal Notice)*

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**REGULATORY AND OTHER NON-COMMERCIAL ENTITIES  
(RETIREMENT BENEFITS AUTHORITY)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

**RETIREMENT BENEFITS AUTHORITY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

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## KEY AUTHORITY INFORMATION AND MANAGEMENT

### (a) Background information

The Authority was incorporated/ established under the Retirement Benefit Act Cap 197 of 1997 under section 8. The Authority is domiciled in Kenya and is established to regulate and supervise the establishment and management of retirement benefits schemes.

### (b) Principal Activities

The principal activity/mission/ mandate of the Authority are to:

- a) Regulate and supervise the establishment and management of retirement benefit schemes;
- b) Protect the interest of members and sponsors of retirement benefit sector;
- c) Promote the development of the retirement benefits sector;
- d) Advise the Cabinet Secretary National Treasury on the national policy to be followed with the regard to the retirement benefits industry and implement all government policies relating thereto.

### (c) Key Management

The Authority's day-to-day management is under the following key organs:

1. Board of Directors
2. Chief Executive Officer
3. Management

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Nzomo Mutuku, MBS
2.	Chief Manager Supervision	Mr. Charles Machira
3.	Chief Manager Human Capital and Administration	Mr. Gordon Bulinda
4.	Chief Manager Legal and Board Secretary	Mrs. Praxidis Saisi
5.	Chief Manager Market Conduct	Ms. Anne Mugo, MBS
6.	Chief Manager Corporate and Communication (Seconded to National Treasury and Planning)	Mrs. Rose Kwena
7.	Chief Manager Research and Strategy	Dr. Alfred Shem
8.	Manager ICT	Mr. Peter Ngunyi
9.	Manager Internal Audit and Risk Management	Mrs. Elizabeth Waruingi
10.	Manager Procurement	Mr. George Ogwang
11.	Deputy Manager and Ag. Head of Finance	Mr. Seth Odhiambo
12.	Senior Communication Officer	Mr. James Ratemo

## (e) Fiduciary Oversight Arrangements

### Board Oversight Role

In accordance with Retirement Benefits Act Cap 197 the Board has the following powers necessary for the performance of its functions.

- a) control, supervise and administer the assets of the Authority in such manner and for such purposes as best promote the purpose for which the Authority is established;
- b) determine the provisions to be made for capital and recurrent expenditure and for reserves of the Authority;
- c) receive any grants, gifts donations or endowments on behalf of the Authority and make legitimate disbursements therefrom;
- d) enter into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate and in furtherance of the purpose for which the Authority is established;
- e) open a banking account or banking accounts for the funds of the Authority;
- f) invest funds of the Authority not currently required for its purposes in the manner provided in section 18 of the Retirement Benefits Act Cap 197.

### Enterprise Risk Management

The Retirement Benefits Authority (RBA) has also embraced Enterprise Risk Management in both their strategic and operational processes. Strategic Risk Management is already integrated as part of the strategy setting and implementation. In addition the Board of Directors has taken the responsibility of ensuring that an appropriate Enterprise Risk Management Policy Framework is in place to identify, assess, manage and monitor opportunities and threats faced by the Authority in achieving its objectives. These risks include legal and regulatory, reputational, political, operational, human capital, financial and technological risks that are inherent in the nature of the Authority's activities.

The Board has delegated the role of implementing risk management to the Management. They therefore ensure that both policy and practice of the Authority's risk management conforms to principles and guidelines issued by the National Treasury circular no.3/2009. The Authority manages risk by ensuring that appropriate means, processes and tools, as well as control systems and people, are in place throughout the organization. The key practices RBA has developed to manage risks include appropriate policies and procedures, regular environmental scans, integrated planning systems, financial and management reporting systems, as well as monitoring individual performance and business processes across key areas.

The design and effectiveness of the enterprise risk management policy framework, strategy and mitigation strategies is subject to ongoing review by the RBA's Internal Audit and Risk Management department, which is independent and reports on the results of its audits directly to the Board of Directors through the Board's Audit, Risk Management & Governance Committee.

The Board also remains very alive to the impact of external events over which the Authority has no control other than to monitor and, as the occasion arises, to provide mitigation. They have reviewed RBA's enterprise risk management policy framework and are satisfied that it was implemented effectively during the financial year ended 30<sup>th</sup> June, 2020.

The Board in carrying out its role has delegated some of its oversight roles to the Audit, Risk Management & Governance committee and the Finance & Administration committee who then report on a regular basis to the full board for policy direction or action:

**(i) Finance and Administration Committee**

The role of the Finance and Administration committee is primarily to provide financial oversight for the Authority on behalf of the board. Major roles include overseeing budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies.

**(ii) Audit, Risk Management and Governance Committee**

The duties of the audit and Risk committee are outlined in the committee charter and the Public Finance Management regulations. Responsibilities of the audit committee include:

- a) Overseeing the financial reporting and disclosure process.
- b) Monitoring choice of accounting policies and principles.
- c) Overseeing hiring, performance and independence of the external auditors.
- d) Oversight of regulatory compliance, ethics, and whistle-blower hotlines.
- e) Monitoring the internal control process.
- f) Overseeing the performance of the internal audit function.
- g) Discussing risk management policies and practices with management.

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**KEY AUTHORITY INFORMATION AND MANAGEMENT**

**(a) Head Office**

Registered Office  
13<sup>th</sup> Floor Upper Hill Road  
Rahimtulla Tower  
P.O. Box 57733-00200  
Nairobi, KENYA

**(b) Contacts**

Tel: +254-20-2809000  
Fax: +254-02-2710330  
Mobile: +254-722509939  
Mobile: + 254-735-339132  
E-mail: [info@rba.go.ke](mailto:info@rba.go.ke)  
Website: [www.rba.go.ke](http://www.rba.go.ke)

**(c) Bankers**

**1. Kenya Commercial Bank**

Milimani Branch  
NSSF Building, Bishop Road  
P.O. Box 48400-00100  
Nairobi, Kenya

**2. Barclays Bank of Kenya Ltd**

Off Waiyaki Way  
P.O. Box 30120-00100  
Nairobi, Kenya  
Tel: +254(0) 4254000  
Email:  
[Barclays.kenya@barclays.com](mailto:Barclays.kenya@barclays.com)

**3. NCBA Bank**

NCBA Centre  
Mara and Ragati Road, Upper  
Hill  
P.O. Box 44599-00100 GPO  
Nairobi, Kenya  
Tel: +254202884444

**(d) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
GPO  
Nairobi, Kenya

**(e) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
City Square  
Nairobi, Kenya

**THE BOARD OF DIRECTORS**



**Mr. Victor Roy Pratt**  
**Chairman, Board of Directors**

Mr. Pratt is the Chairman of the Board of Directors of Retirement Benefits Authority.

Mr. Pratt holds a Bachelor's Degree in Business Administration from Fairleigh Dickinson University, USA and has undertaken post graduate studies in Industrial Development at the Irish Management Institute in Dublin, Ireland.

Mr. Pratt has worked extensively in Africa, with Citibank, Liberia and the African Development Bank (ADB) in Abidjan. Mr. Pratt has been promoting small business development, and he founded the Kenya Management Assistance Programme (K-MAP) in 1986.

Mr. Pratt has led numerous international business promotion initiatives under the auspices of United States Agency for International Development (USAID), Young Presidents Organization (YPO), United Nations Industrial Development Organization (UNIDO), Commonwealth Secretariat, Center for International Private Enterprise (CIPE) and United National Development Programme (UNDP).

Mr. Pratt is the founder of Continental Management Consultants Ltd. based in Nairobi, Kenya and African Management Associates (AMA). He has been retained as a Business Development Adviser by International Companies in the transport and telecommunications, energy, urban Development, housing and agricultural sectors. He has previously served as Chairman of Kenya Reinsurance Corporation.



**Mr. Nzomo Mutuku, MBS**  
**Chief Executive Officer**

Born in 1969, Mr. Mutuku, is the Chief Executive Officer of the Retirement Benefits Authority and an ex-officio member of the Board of Directors.

He holds a Masters of Arts degree in Economics as well as a first class honours Bachelor of Arts Degree (Economics) and is a Fellow of the Economists Society of Kenya.

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Prior to his appointment, Mr. Mutuku had been seconded to the National Treasury & Planning as a Senior Adviser, Financial Sector and Acting Director, Financial and Sectoral Affairs Department. Previously he was the Chief Manager, Research & Development at RBA, and had worked with RBA since 2000 when he joined from the Central Bank of Kenya.

Mr. Mutuku has a wealth of experience in the operations and activities of the financial sector. He has undertaken training in pensions and financial markets in various countries including the UK, Canada and USA at Harvard University and the Wharton Business School.

He was the founder Chairman of the Technical Committee on Collaboration between Financial Sector Regulators in Kenya and has authored a number of papers and made several presentations at international forums on issues relating to the retirement benefits industry. In September 2019, Mr. Mutuku was appointed as the Interim Chair of the African Pension Supervisors Forum (ASPF).



**Mr. Joseph Z. Ngugi**  
**Alternate Director representing the Cabinet Secretary**  
**for the National Treasury & Planning**

Born in 1966, Mr. Ngugi is an Alternate Director representing the Cabinet Secretary for the National Treasury & Planning in the Board of the Retirement Benefits Authority.

Mr. Ngugi holds a Master of Arts Degree in Economics from the University of Nairobi and Bachelor of Arts in Economics & Sociology from the Egerton University. Mr.

Ngugi is currently the Senior Deputy Director, Directorate of Budget, Fiscal & Economic Affairs at the National Treasury & Planning. He previously worked with the Ministry of Planning & National Development. He is a member of the Board of Trustees - Coffee Development Fund and a Director in the Board of the Kenya Trade Network Agency.



**Hon. Sammy C. Koech**  
**Director & Chairman, Technical Committee**

Born in 1959, Hon. Koech joined the Board of the Retirement Benefits Authority as a Director, on 8<sup>th</sup> June 2018.

Hon. Koech is a businessman with diverse commercial interests that he is managing. He is the immediate former Member of Parliament for Konoin Constituency. Prior to serving in the National Assembly, he worked at the Central Bank of Kenya

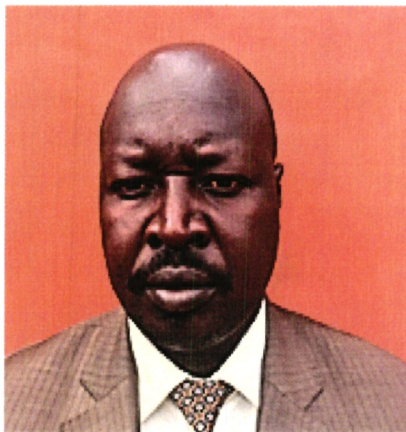


**Mr. Stephen G. Gichuhi, MBS**  
**Director & Chairman, Finance and Administration**  
**Committee**

Born in 1965, Mr. Gichuhi was first appointed as Director in to the Board of the Retirement Benefits Authority on 17<sup>th</sup> April, 2015.

He holds a Bachelor of Business Management degree, a Diploma in Banking and a Diploma in Sales & Marketing.

Mr. Gichuhi is currently the General Manager, Equity Bank, Community Supreme Center. He has a wealth of experience in the banking sector having previously worked for Barclays Bank Tanzania Ltd, Barclays Bank of Kenya, and Consolidated Bank of Kenya Ltd. He has considerable governance experience having previously served in the Board of the Kenya Civil Aviation Authority.



**Mr. Edwin C. Rotich**  
**Director & Chairman, Audit Risk Management and**  
**Governance Committee**

Born in 1978, Mr. Rotich was appointed to the Board of the Retirement Benefits Authority on 21<sup>st</sup> December 2018.

He holds a Master of Business Administration degree from the University of Manchester and a Bachelor of Commerce Degree (Accounting Option) First Class Honours, from Kenyatta University. He is currently undertaking his doctoral studies in Business

Administration (Finance Option) at the Jomo Kenyatta University of Agriculture & Technology.

Mr. Rotich is a finance executive with extensive experience in leading strategic organizational aspects of financial and operations systems development. He is currently a member of the County Executive Audit Committee, County Government of Elgeyo Marakwet and a Director at Royal Paedro Limited. He has previously served in the Board of the Agricultural Finance Corporation, and held senior management roles in

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Relief International, Somalia, War Child Holland/South Sudan, Royal Paedro Limited, Inter-Church Organization for Development Cooperation and World Vision Kenya.



**Wyckliffe M. Shamiah, FCPA**  
**Director & Acting Chief Executive, Capital Markets Authority**

Mr. Shamiah is the Acting Chief Executive of the Capital Markets Authority.

Mr. Shamiah holds a Bachelor's Degree in Economics and Mathematics from Egerton University and a Masters' Degree in Business Administration (Finance) from the University of Nairobi. He has worked at the Capital Markets Authority for over 22 years in various capacities.

Mr. Shamiah is an alumnus of the US International Visitors Program and an Associate of Toronto Leadership Centre. He has also been the Chairperson of TC 68 (Financial Services Technical Committee) of Kenya Bureau of Standards (KEBS). He was awarded a certificate of completion for the SMREA Program, March 2018, Harvard University, John F. Kennedy School of Government, Executive Education.

He is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators Forum (EASRA). He also sits on the Financial Stability Board Regional Group of Sub-Sahara representing Kenya and the capital markets.

Mr. Shamiah is a Fellow of the Institute of Certified Public Accountants of Kenya. He is a Director in the Board of the Insurance Regulatory Authority as well as the Vision 2030 Delivery Board.



**Mr. Godfrey K. Kiptum, MBS**  
**Director & CEO and Commissioner of Insurance, Insurance Regulatory Authority**

Born in 1970, Mr. Kiptum, is the Chief Executive Officer of the Insurance Regulatory Authority.

He holds a Master of Business Administration Degree from ESAMI/Maastricht MSM University

Prior to his appointment, Mr. Kiptum worked as the Insurance Regulatory Authority's Chief Manager for Human Capital Development &

Administration. He has a wealth of experience garnered from senior management roles held in various State Agencies over the last 20 years. He is an Associate of the Life Management Institute (ALMI) USA and a member of the Chartered Insurance Institute of UK.



**Dr. Margaret M. Makumi**  
**Director & Chairman, Staff Welfare Committee**

Born in 1962, Dr. Makumi was appointed to the Board of the Retirement Benefits Authority on 6<sup>th</sup> June 2018.

Dr. Makumi is a medical Doctor and holds a Bachelor of Medicine and Bachelor of Surgery Degrees as well as a Masters' Degree in Public Health.

Dr. Makumi has over 20 years of experience in health and development projects and institutional strengthening. She has held leadership positions in Ministry of Health programs and donor funded health and population projects.

She has represented the Ministry of Health in negotiations with donors such as USAID, UNFPA, the World Bank, WHO, KFW, GIZ, SIDA, DANIDA and the Global Fund. She has contributed to Kenya's National Health Sector Strategic Plans, policies, guidelines and training.



**Mrs. Praxidis Saisi**  
**Board Secretary & Chief Manager, Legal Services**

Born in 1967, Mrs. Saisi is the Board Secretary & Chief Manager, Legal Services at the Retirement Benefits Authority from 2<sup>nd</sup> January 2017.

Mrs. Saisi is an Advocate of the High Court of Kenya and a Certified Secretary. She holds a Master of Laws degree from the University of Essex, United Kingdom, a Bachelor of Laws degree from the University of Nairobi and a post graduate Diploma in Law from the Kenya School of Law. She also holds an Executive Master of Business Administration degree from United States International University-Africa. She is a member of the Institute of Certified Secretaries of Kenya and the Law Society of Kenya.

## MANAGEMENT TEAM



**Nzomo Mutuku, MBS**  
**Chief Executive officer**

Nzomo Mutuku, MBS is the Chief Executive Officer of Retirement Benefits Authority since July 01, 2018, he also served as the Acting Chief Executive Officer of the Authority from May 01, 2017. Prior to his appointment, Mr. Mutuku worked at the National Treasury as the Senior Advisor, Financial Sector and Acting Director, Financial and Sectoral Affairs Department, working on policy matters relating to financial sector development including financial inclusion, efficiency and stability.

Previously he was the Chief Manager, Research & Development at the Retirement Benefits Authority and has also worked in the Research Department of the Central Bank of Kenya.

Mr. Mutuku holds a Master of Arts degree in Economics as well as a first class honours Bachelor of Arts (Economics) degree from the University of Nairobi, a Certificate in Digital Money from Tufts University and is a Fellow of the Economists Society of Kenya. He has also undertaken training in pensions and financial markets in various countries including the UK, Canada, Harvard University and the Wharton Business School in the United States. He has authored a number of papers on financial sector issues which are widely quoted in the region. In September 2019, Mr. Mutuku was appointed as the Interim Chair of the African Pension Supervisors Forum (ASPF).



**Anne K Mugo, MBS**  
**Chief Manager, Market Conduct**

Born in 1963, Anne is the Chief Manager, Market Conduct and has served RBA for over twenty (20) years, including thirteen (13) years on secondment as the Pensions Secretary/Director of Pensions at the National Treasury. Before joining the RBA, Anne was an investment manager at Standard Chartered Bank, Genesis Kenya (now GenAfrica) and ICEA Lion.

At the National Treasury, Anne spearheaded public sector pension reforms and served alternate Director to the Cabinet Secretary in the National Oil, Brand Kenya, Housing Finance, Commission for University Education,

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Kenya Sugar and NACADA Boards. In December 2008, the President honoured Ms. Mugo with a *Moran of the Burning Spear (MBS)* in recognition of the pension reforms.

Anne holds an MBA (Finance) from the City, University of London (*Chevening Scholar*) and a BCom (1<sup>st</sup> Class Hons) from the University of Nairobi. She is an Associate of the Chartered Insurance Institute (ACII) and certified as a Chartered Insurance Practitioner, Corporate Director (IOD), Trustee (TDPK) and in commercial French (FCCI, Paris). She is a corporate governance trainer and sits on the Examinations Council of the College of Insurance. She is a member of the Institute of Directors (IOD), Chevening Scholars Association of Kenya and Nairobi Baptist Church.



**Mr. Charles Machira**  
**Chief Manager, Supervision**

Born in 1967, Mr. Machira is the Chief Manager, Supervision from 2011.

Mr. Machira has over 20 years' experience in the Insurance and Pension sectors. He has spearheaded the supervision of the Retirement Benefits schemes. He has been managing trustee of Policyholder Compensation Fund representing Retirement Benefits Authority.

He holds a Master of Science and a Bachelor's of Science.



**Mr. Gordon Bulinda**  
**Chief Manager, Human Capital Development and Administration**

Mr. Bulinda is the Chief Manager, Human Capital Development and Administration since July, 2010. Prior to his appointment, he worked as General Manager, Human Resources and Administration at Mabati Rolling Mills Ltd, Group Human Resources Manager at Crown Berger (K) Ltd in Nairobi; Personnel Services Manager and Training Manager at the Pyrethrum Board of Kenya. He started his career at Braeburn School, Nairobi as an Administrative

officer.

He holds an MBA, specializing in Human Resources Management, from Egerton University, Kenya and a Bachelor of Education in Arts from Kenyatta University. He also holds a Higher National Diploma in Human Resource Management awarded by the Kenya National Examinations Council and the Institute of Personnel Management

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(Kenya). He is currently pursuing PhD, Human Resources Management at the University of Nairobi.

Mr. Bulinda is a Balanced Scorecard Master Professional, awarded by the George Washington University, USA. He is a Fellow of the American Academy of Project Management (FAAPM), Associate Member of the Society of Human Resource Management (SHRM) and a Full member of the Institute of Human Resources Management of Kenya (IHRMK).



**Dr. Alfred Ouma Shem**  
**Chief Manager, Research and Strategy**

Dr. Alfred Ouma Shem is the Chief Manager and Head of Research & Strategy Department from April, 2014. He previously was Manager and Head of Financial Access and Inclusion Section of the Financial Inclusion & Stability Division in the Research & Policy Analysis Department of the Central Bank of Kenya (CBK); Policy Analyst at the Kenya Institute for Public Policy Research & Analysis (KIPPRA); Senior Lecturer of Economics at Moi University; a Lecturer of Economics at Egerton University; and a

Research Fellow at the Institute for Development Studies of the University of Nairobi.

Dr. Shem holds a PhD in Economics from University of Cologne, Germany, Master's degree in Economics and Bachelor's degree in Economics & Business Studies from Kenyatta University. He has published widely on issues of financial economics particularly on Financial Inclusion and Microfinance, Monetary Economics, Social Policy, Financial Stability and Pension issues among others. He is a founding member of the Alliance for Financial Inclusion (AFI) Data Inclusion Working Group (FIDWG). Dr. Shem also holds a certificate of proficiency in the German language.



**Rose Musonye Kwena**  
**Chief Manager, Corporate communications - Seconded to National Treasury & Planning as Head, Micro Pension Unit**

Born in 1961, Rose was the Chief Manager, Corporate Communications until her secondment to the National Treasury and Planning as Head of Micro Pensions Unit from 1<sup>st</sup> August 2019.

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Previously, she worked as Manager PR & Corporate Affairs at Kenya Tourist Board. She served as a Council member of the Kenya Cultural Centre Governing Council in 2007 and as Chair to the council from 2008 to 2009. She also worked in the US as Assistant communications manager between 1996 and 2000.

She holds a Master of Science degree in Corporate Communications (with emphasis in Marketing) from Lindenwood University, Missouri, USA, a Bachelor of Arts degree (BA Hons) in Political Science & Arabic Language from University of Nairobi and a Higher Group Diploma in Marketing from the London Chamber of Commerce & Industry (LCCI). Rose is an honoured 2010 warrior of the Marketing Society of Kenya. She is also a member of International Association of Business Communicators (IABC) and Public Relations Society of Kenya. She is a certified PROSCI Change manager and Certified Board Director.



**Mrs. Praxidis Saisi**  
**Board Secretary and Chief Manager, Legal**

Born in 1967, Mrs. Saisi is the Board Secretary & Chief Manager, Legal Services at the Retirement Benefits Authority from 2<sup>nd</sup> January, 2017. Prior to her appointment, she was the Company Secretary & General Manager, Legal Affairs at Geothermal Development Company. She worked as Manager, Legal & Corporate Affairs at the Kenya Rural Roads Authority and before that as Company Secretary at Kenya Wine Agencies Limited. Mrs. Saisi started her career as a Magistrate with the Judiciary.

Mrs. Saisi is an Advocate of the High Court of Kenya and a Certified Secretary. She holds a Master of Laws degree from the University of Essex, United Kingdom, a Bachelor of Laws degree from the University of Nairobi and a post graduate Diploma in Law from the Kenya School of Law. She also holds an Executive Master of Business Administration degree from the United States International University-Africa. She is a member of the Institute of Certified Secretaries of Kenya and the Law Society of Kenya.



**Elizabeth T. N. Waruingi**  
**Manager, Internal Audit and Risk Management**

Born in 1971, Elizabeth is the Manager, Internal Audit and Risk Management since September 2010. Prior to her appointment she served as Manager, Internal Audit at Water Sector Trust Fund (WSTF) and International Livestock Research Institute (ILRI) as the Senior Internal Auditor. She started her career at KPMG.

She holds a Masters degree in Business Administration – Special emphasis on Strategic Management and Finance and a Bachelor of Arts degree in economics, business studies and mathematics.

She is a Certified Public Accountant - CPA (Kenya), Awarded the Best Lady Candidate in June 2000 sitting, section six and third in the country. She is a Certified Internal Auditor, CIA (USA), Certified Information Systems Auditor, CISA (USA) and a Certified Risk Management Assurance Professional – CRMA (USA).

She is a member in good standing of the Institute of Certified Public Accountants (K), the Institute of Internal Auditors (USA) and Information Systems Audit & Control Association (USA).



**Mr. George Ogwang**  
**Manager, Procurement and Supply Chain**

Born in 1974, George is the Manager, Procurement and Supply Chain since 2016.

Previously he worked as Deputy Director, Procurement & Supply Chain Management at Kenya Electricity Generating Company (KENGEN); Logistics Manager, NCR Corporation Africa in charge of Downstream and Upstream Logistics for Africa in charge of; Egypt, Morocco, Tunisia, Zimbabwe, Ivory Coast, Ghana, Nigeria, Zambia and Kenya.

He holds a MBA, Procurement and Supply Chain Management from the University of Nairobi and a First-Class Honors Bachelor of Commerce Degree majoring in Accounting, Finance and Procurement. He holds Diploma in Procurement and Supply

Chain Management from the Chartered Institute of Purchasing and Supplies (UK) and a Higher National Diploma in Supplies Management administered by Kenya National Examination Council (KNEC).

He is a member of Kenya Institute of Supplies Management (KISM) and Chartered Institute of Purchasing and Supplies (UK).



**Mr. Peter K Ngunyi**  
**Manager, Information Communication Technology**

Born in 1978, Mr. Ngunyi is the Manager, Information Communications Technology. He joined the Authority as a senior ICT officer and rose through the ranks to the current position which he has held since 2016. Peter has a wealth of experience in systems development and implementation, project management and data analytics.

He holds a Master's degree in Information Systems with special emphasis in IT security and databases, MBA in Innovation Entrepreneurship from USIU-A and a First Class Honours Bachelor of Commerce degree in ICT from the University of Nairobi. He also holds a Higher Diploma in ICT.

He is a Microsoft Certified Systems Engineer (MCSE), Certified Information Systems Auditor - CISA (USA), a Certified PRINCE2 (Projects in Controlled Environments) Practitioner (USA), a Certified Business Resilience Auditor (CBRA, USA), Certified Business Resilience Manager (CBRM, USA) and a Certified Knowledge Manager, Basel. He is a Fellow of Computer Society of Kenya



**Mr. Seth O. Onyango**  
**Deputy Manager, Finance and Ag. Head of Finance**

Mr. Onyango is the Deputy Manager, Finance currently performing the duties of Chief Manager, Finance since July 2019. He joined the Authority in January 2018.

Previously he worked at the National Treasury and Planning in various departments including; The Accountant Generals; Government Investment and Public Enterprises; Intergovernmental and Fiscal Relations and District accountant Kisii central District Treasury. In 2013, he worked

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as the Head of Treasury (Accounting) at the Nyamira County Government on secondment from the National Treasury to set up the accounting systems for the new entities.

He also holds an MBA in Finance from the University of Nairobi and a Bachelor's degree in Business Management from Moi University. He is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants (Kenya).



**Mr. James Ratemo**  
**Senior Corporate communication and Ag. Head of**  
**Corporate communication**

Mr. Ratemo joined the Authority in 2018 as Senior Corporate Communication Officer and is currently the Acting Head of Corporate Communications.

He has over 10 years' experience in Journalism and Communication having previously worked as Head of Communications at Media Council of Kenya, Digital Media Trainer at Internews Kenya, Journalist & Online Editor at

Nation Media Group and Print Journalist & Online Sub Editor at Standard Media Group.

He holds a Masters Degree in Communication Studies from the University of Nairobi and a Bachelors of Arts Degree in Communication and Media Technology from Maseno University. He is currently pursuing PhD in Communication and Information studies at the University of Nairobi. He is a certified digital media specialist and trainer having studied at the International Institute for Journalism in Germany, Internews Kenya Network and Commonwealth Press Union (UK). He is a member of the Public Relations Society of Kenya and an accredited journalist by the Media Council of Kenya. He is also a mentor in the Presidential Digital Talent Programme.

## CHAIRMAN'S STATEMENT



I am delighted to present the Annual Report and Financial Statements of Retirement Benefits Authority for the Financial year ended 30th June 2020.

Globally pension assets have been growing over the last decade and is currently standing at USD. 32 trillion as at December 2019. This long-term trend is attributable to increase in net returns over the long term, and an increase in contributions as more people are being covered by pension plan in a number of countries, especially in those with recent mandatory or auto-enrolment programmes.

Many countries around the globe are currently engaging in intense pension reform efforts to ensure increased use of funded pension programmes. There is

increased efforts globally to increase funded pension programmes since they are likely to play critical roles in the growth of the global economy.

Pension Regulators in an effort to ensure standardization of policies in supervision, establishment and management of pension schemes collaborate through the International Organization of Pension Supervisors (IOPS). The Authority has continued to be part of the forum and during IOPS annual general meeting in Albania Retirement Benefits Authority was elected to the Executive Committee of the International Organization of Pension Supervisors (IOPS). Gaining such international recognition is a reinforcement of our commitment to collaborate and exchange knowledge with our partners as we endeavor to steer

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the pension industry and the greater financial sector to greater heights.

The world is currently grappling with the emergence of Covid-19 for the better part of the second half of the year and the pension industry has not been spared. This is likely to affect the value of pension assets and the wider world economy. The continued world-wide spread of COVID-19 and its effects on financial markets is likely to reverse some of the gains realized in the short term.

The pandemic adversely affected the wider world economy Kenya included. This prompted the Government to prescribe various containment measure after the first reported case to contain the spread of the virus. This has led to loss of jobs and employer distress. The retirement benefits sector has been equally adversely affected leading to decline in pension investments returns, employers seeking contribution holidays and increase in unremitted contributions. In this regard the Authority put in various measures and strategies to cushion the Retirement benefits sector from the effects of the pandemic. The Authority also supported the government Covid-19 emergency response. The Authority continues to monitor and put in place mitigation measures to alleviate the effects of the pandemic.

Continently Kenya is ranked among the well-established Retirement Benefits Sector regime and plays a big role in spearheading pension industry development and regulation in Africa. In this regard Kenya hosted the first conference of African pension regulators with the support of the Financial Sector Deepening (FSD) and this lead to the formation of African Pension supervisors

forum (APSF) where the Kenya was elected as the chair of the newly formed African Forum.

The Authority continued to implement its 2019-2024 Strategic Plan. The strategies outlined in the plan will ensure growth and development in the retirement benefits sector. It is also worth also noting that we were ISO 9001: 2015 recertified by KEBS.

In support of the Big 4 Agenda towards provision of affordable housing, the Tax Amendment Act amended Section 38 of the Retirement Benefits Act to allow members of retirement benefits schemes to use a portion of their accrued benefits to purchase a residential house. Mortgage Regulations were drafted and issued for public comment and exposure. Proposals to amend the investment guidelines to establish asset classes that allow for investment of scheme funds in housing and infrastructure through Private Public Partnerships were also forwarded to The National Treasury & Planning.

During the year, the Authority received funding from the Financial Sector Support Program (FSSP) to upgrade its core business applications. The upgrade of the ERP (Enterprise Risk Planning) system has been finalized and the upgrade of the RBSS (risk-based supervision system) is ongoing and is expected to be finalized by August 2020.

The Authority continued to focus its Market Conduct regulations on activities that improve sector governance, enhance delivery of services to sector customers and improve stakeholder education. As such the recently gazetted Good Governance Guidelines and Treating Customers Fairly guidelines are being


implemented while the Trustee Remuneration Policy and Scheme Expenses Guidelines, 2020 are awaiting gazettment. Further, the Authority has embarked on developing anti-money laundering (AML) guidelines and will engage stakeholders to complete the same during FY 2020-2021.

The Authority improved on its levy collection during the year however due to the challenges brought about by Covid-19 there was a slight decrease in the Asset base.

As a result of Covid-19, we shall witness reduced remittances of contributions in the financial year 2020/21 due to suspension of contributions by some employers and also delayed remittances to schemes that shall necessitate remedial plans. We however envision that post Covid-19 there will be an increase in the pension coverage due to lessons learnt by citizens on the importance of a nest egg - predominantly through participation in Umbrella Funds by employers and enrolment in individual pensions plans by members.

I take this opportunity to thank my fellow board members, the Authority's Chief Executive Officer Mr. Nzomo Mutuku, staff members and our esteemed partners for their commitment to the institution's vision and mission.

We also appreciate our customers and other stakeholders and promise to continue working together to grow the retirement benefits industry. Let us all stay safe and follow the Government's directives on Covid-19.



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**VICTOR PRATT**  
**CHAIRMAN BOARD OF DIRECTORS**

## REPORT OF THE CHIEF EXECUTIVE OFFICER



I am pleased to present the financial and the operational performance of the Authority for the financial year 2019/2020. During the period, the Authority implemented in harness its Strategic Plan (2019-2024). The implementation of the plan is expected to propel the retirement benefits sector to grow its asset base and enhance pension coverage. The Plan is anchored on the vision *"An inclusive, secure and growing retirement benefits sector"* with an overarching goal of *"achieving 30% pension coverage with an asset base of 2.4 trillion shillings by 2024."* In order to achieve this, the Authority put in place

and implemented various measures and initiatives including initiatives geared towards the big four Agenda. The Authority also place special emphasis and focus on the informal sector as part the efforts to reach the uncovered and in order enhance the pension coverage.

During the period under review, the Authority made progress in the implementation of its planned activities despite the challenges posed by the coronavirus pandemic in the second half of the financial.

### **Growth of the Pension Assets**

The retirement benefits assets under management increased by 1.88 percent from Kshs. 1,298.19 billion in December 2019 to Kshs. 1,322.59 in June 2020. Compared to the same period last year (June 2019) the assets grew by 6.24 percent, up from Kshs. 1,244.92 billion in June 2019 billion. The slow growth in the assets during the period can be attributed to the adverse effects of the Covid-19 pandemic which negatively impacted the financial markets and the wider economy. The pandemic has also affected a number of sponsors/employers in the retirement benefits sector. This has led to job losses and reduced ability to meet the statutory obligations including remittance of pension contributions. However, the retirement benefits assets is expected to slightly increase in the second half of the year 2020 owing to the slow recovery of the stock market and the economy following gradual easing of the Covid-19 containment measures. The sector is expected to be relatively stable given the governance and surveillance framework and the broad investment asset classes which allows schemes to diversify its assets appropriately.

### **Supervision of Pension Industry**

The Authority continued to oversees the industry using a risk based supervision framework. The approach enables the Authority to rate schemes based on their risk levels and direct its resources effectively. During the period under review, the stability of the industry slightly worsened as demonstrated by the

risk rating of 3.15 on 30 June 2020 compared to the previous period, from a score of 3.07 in June 2019 owing to the challenges arising from the coronavirus pandemic. The risk rating scale ranges from 1 to 5, where a high score indicating a higher probability of inherent risks that may crystallize and result in the collapse of the regulated entity.

Further, the Authority also undertook supervisory interventions on retirement benefits schemes in proportion to their risk rating. We placed four schemes under interim administration and three schemes were placed under involuntary (statutory) winding up due to non-remittance of contributions.

### **Policy and Regulatory framework**

The Authority continue to revamp the policy and regulatory framework in order to grow and develop the sector. Policy changes are informed by research findings and international best practices. During the financial year a number of policy and legal changes were undertaken this include the amendment of section 38 of the Retirement Benefits Act through Tax amendment act 2020 which allows members of retirement benefits schemes to access a portion of the accrued benefits to purchase residential house. This not will not only support the affordable housing programme under the big 4 agenda but will enable the members to utilize their retirement benefits when still in employment. Retirement Benefits Act and the regulations were also amended to enhance compliance in the preparation and submission of actuarial

reports and to enhance the investment guidelines.

### **Scheme Governance and Consumer Protection**

On the scheme governance, the Authority continued with the implementation of the *Retirement Benefits (Good Governance Practices) Guidelines, 2018*. This included carrying out sensitization to trustees and service provider on its requirements. The implementation of the Guidelines for a start focussed on the large schemes with asset values exceeding KShs.5 billion. The Authority carried out a baseline survey and determined a 23% compliance level in the on the implementation of the guideline. The implementation of the guideline was affected by the outbreak of the coronavirus pandemic which has seen most schemes slow down its activities leading to low compliance and a number schemes have requested for extension of time to comply with the guideline.

The Authority also carried out sensitization to the sector on implementation of the *Retirement Benefits (Treating Customers Fairly) Guidelines, 2019* which were gazetted through *Legal Notice No. 151* of 27<sup>th</sup> September 2019. Implementation of this new set of Guidelines will be rolled out in the current FY 2020-2021 to guide sector players to enhance services to their clients. The Authority also developed new guidelines titled the *Retirement Benefits (Trustee Remuneration Policy*

*and Scheme Expenses) Guideline*. The guideline is awaiting gazettelement and will be rolled out once ready. Further, the Authority has embarked on development of the anti-money laundering (AML) guideline and is expected to be completed the 2020/2021 financial year. The AML guidelines are being rolled out to all sectors of the financial services industry, to help detect and report suspicious activity in funds flow, including possible money laundering and terrorist financing as well as market manipulation.

### **Complaints Management**

The Authority continued to address member and stakeholder complaints as per the Retirement Benefits Act section 46 and the requirements of the Commission of administrative Justice (CAJ). The Authority also continued to partner with the CAJ to address member complaints and during the period under review, the Authority managed to score well on the management of complaints with a score of 100% by Commission for Administrative Justice (CAJ). The Authority also is a member and participate in the activities of the Complaints Referral Partners Network (CRPN), which is composed of various institutions from both the public and private sectors that collaborate to manage and resolve complaints. Further, during the period, the Authority develop a complaints portal which has been key in timely resolution of complaints especially at this time of the Covid-19 pandemic. With the gazettelement and

implementation of the Retirement *Benefits (Treating Customers Fairly) Guidelines, 2019*, the Authority expects that with the consumer protection in the sector would improve.

### **Member and Trustee Training**

On member education and trustee training, the retirement planning seminars were undertaken and a total of 180 schemes were reached in various counties. The training of new trustees also continued during the financial year. The Authority also in collaboration with stakeholders rolled out the revised Trustee Development Programme Kenya (TDPK) curriculum. The Programme is anchored by the College of Insurance with administrative assistance from the Association of Retirement Benefits Schemes (ARBS). The Programme is a five-day course divided into six modules. Further, the Authority is working with stakeholders to embarked on the development of an e-learning Programme to reach more Trustees and at a more affordable cost. The Authority has also embarked on the development of a programme for administrators, with their input and that of their associations.

### **Micro Pension Products**

As part of our development role, during the period, the sector witnessed the unveiling of several micro pension products by our regulated entity aimed at extending coverage to the informal sector among them: National Social Security

Fund (NSSF), Octagon Africa and Zamara. We believe this is a step in the right direction towards realisation of strategic objective of extending pension coverage to the informal sector and look forward to the development and introduction of new products in the coming year.

### **RBA mobile app**

During the year Authority unveiled a mobile app to allow pension industry stakeholders track performance of pension schemes, file complaints, whistle blow and make online enquiries. Dubbed, RBA Mobile, the app allows members of the public to whistle blow or report any issues relating to Retirement Benefits Schemes bordering on violation of financial regulations, mismanagement of pension funds or assets, corruption and any other malpractice deemed to be in the interest of the public. By enabling customers to lodge complaints and access FAQs via the mobile app, the Authority expects to see a reduction in queries, thereby freeing up its customer-facing staff to provide improved one-on-one support to those customers who really need it. The App is expected to improve scheme governance and stem unethical behaviour while simplifying interaction between scheme members and the Authority. The move was part of the Authority's ongoing digital strategy of provide customers with an accessible and efficient self-service platform for improved overall customer experience

when engaging the Authority done at any point.

### **Africa Pension Supervisors Forum**

The Authority organized and held the inaugural conference for African Pensions Supervisors on 16<sup>th</sup> -17<sup>th</sup> September, 2019 in Nairobi, at the Radisson Blu hotel. The conference witnessed the formation of African Pensions Supervisors Forum in which the Authority was elected as the interim chair for two years. The Conference was co-sponsored by Retirement Benefits Authority (RBA) and Financial Sector Deepening Africa (FSD-A). The conference brought together pension regulators and supervisors from across Africa including: South Africa, Nigeria, Namibia, Zambia, Rwanda, Burundi, South Sudan, and Uganda. The African Pension Supervisors Forum would focus on pension issues and challenges that are pertinent and unique for the continent and for which they could learn from one another in terms of finding solutions to enhance better governance and performance and development of the sector.

### **Management Systems**

The Authority is ISO 9001: 2015 Standard certified and is currently implementing Information Security Management System based on ISO /IEC 27001 Standard. The Authority has also commenced the implementation of the Authority's Business Continuity

Management System based on ISO 23001 and the Knowledge Management System for the Authority based on ISO /DIS 34001: 2018.

### **Projects**

During the period the Authority implemented various projects with the assistance of the Financial Sector Support Project (FSSP), under the World Bank. The Authority undertook a review of the legal framework with a view of broadening the scope of allowable pension investments. We also upgraded and deployed several information technology solutions: Business, upgrading of the supervisory system and the ERP.

### **Covid-19 Pandemic Response**

Following the outbreak of the coronavirus pandemic, the financial market has been adversely effected. The retirement benefits schemes being among the largest investors in the financial market have not being spared. Retirement benefits schemes also face arising from the of the pandemic on the sponsors and not being able to make contributions. Given these challenges pension schemes have had and continue to have including meeting compliance requirements due to restrictions on movement and meetings to combat the spread of Covid-19, the following measures have been implemented to cushion industry players and ensure continued stability of the pension sector; i) Waiver on Penalties; ii)

Suspension of Contributions for sponsors facing difficulties; iii) Postponement of Trustee Development Training (TDPK); and iv) Administrative relaxation of some regulatory requirements. Further and in line with the presidential directives and health protocols, the Authority ensured that the services to sector continued uninterrupted. In this regard, the Authority also instituted in business continuity protocol and enabled working from home by staff.

### **Financial Performance**

During the period, the revenue of the Authority grew despite the challenges faced towards the second half of the financial year. The retirement benefits levy continued to be the main source of revenue to the Authority. The total income for the financial year 2019-2020 was Kshs. 994.5 Million. This included RBA levy 950.5 million, licensing fees 3.45 million, interest from bank deposits Kshs. 6.9 million, investment income of Kshs. 2.9 million, statutory penalties of Kshs. 1.4 million and miscellaneous income of Kshs. 26.2 million. The total operating expenditure for the Authority was Kshs. 773.9 million. This was a drop compared

to the previous year 2018/2019 where the operating expenditure was Kshs. 796.3 million. The capital expenditure during the period was Kshs. 236.5 million. The capital was boosted by the FSSP funding amounting to Kshs. 231.3 million. The Authority had a surplus of Kshs. 220.6 million compared to Kshs. 135.6 million in 2018-2019 financial year. The Authority expenditure was within budget and the legal and statutory requirements were complied with.

### **Gratitude**

I sincerely thank the Board of Directors and the entire RBA family for their dedication and commitment to drive the RBA mission and agenda. I also thank the team who work tirelessly to compile this report.



**NZOMO MUTUKU, MBS**  
**CHIEF EXECUTIVE OFFICER**

## REVIEW OF RETIREMENT BENEFITS PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Retirement Benefits Authority has three (3) strategic pillars and objectives within its Strategic Plan for the FY 2019/2020- 2023/2024. These strategic pillars are as follows:

### **Pillar 1: Operational Excellence**

Which aims at delivery of efficient and effective services to the Authority's stakeholders. This is expected to be achieved through enhancement of capacity, automation and knowledge management within the Authority. The Authority also aims achieve operation excellence by instituting a robust Monitoring and Evaluation (M&E) framework and improving access to and reach of its services.

### **Pillar 2: Policy and Regulatory**

Which aims to engender increased confidence in the retirement benefits sector. The authority aims to accomplished this by enhancing the capacity for policy formulation, improving the legal framework that guides the Authority's operations, and strengthening surveillance of the sector in order to improve sector governance; and,

### **Pillar 3: Developing the Informal Sector**

Which aims to achieve higher levels of pension coverage among Kenyan workers. This will be realized by enhancing outreach programmes based on needs-based research, promoting the development of pension products that specifically target the informal sector. This also include the translation of the high awareness of pension products into actual enrolment in retirement benefits arrangements.

Retirement Benefits Authority develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2019/2020 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Key Achievements
<b>Operation Excellence</b>	Improve customer experience	Customer Satisfaction index	<ul style="list-style-type: none"> <li>Redesign the customer satisfaction tools</li> <li>Conduct a baseline survey</li> </ul>	The customer satisfaction tools were developed. However, the baseline survey was not undertaken as scheduled owing to the break out of the corona virus pandemic.
	Improve Access to Authority Services	Representation in the counties	Partner with Huduma Centres at Regional Headquarters	<ul style="list-style-type: none"> <li>A concept paper on partnership with huduma centres was developed and approved by the Board. A draft MoU with the Pension department -The National Treasury has been developed. However, owing to Covid-19 Pandemic, the roll out of the services was delayed and is now proposed in FY 2020-2021.</li> <li>The Authority has put in place a Risk Based supervision system to enable the schemes and service providers to file returns online. The Authority also developed a Complaints portal where members of the public can file their complaints.</li> </ul>
<b>Policy and Regulatory Framework</b>	Enhance Confidence in the Retirement Benefits Sector	Percentage Increase in confidence index	Establish the baseline index	The Authority has already contracted a consultant to undertake the baseline confidence index survey. The survey was delayed owing to the break out of the coronavirus pandemic which forced the government restrict movement in certain regions to contain the spread of the virus.
	Enhance Retirement benefits sector contribution to	No. of initiatives supporting the big 4 agenda	<ul style="list-style-type: none"> <li>Recommend review of the legal framework to enable pension schemes and members participate</li> </ul>	<ul style="list-style-type: none"> <li>Following the enactment of the Tax Laws (Amendment) Act 2020 which amended Section 38 of the Retirement Benefits Act to allow members of</li> </ul>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Key Achievements
	Big 4 agenda		<p>in the big 4 agenda projects</p> <ul style="list-style-type: none"> <li>• Collaboration with key stakeholders and sector players on the implantation of the big 4 agenda</li> <li>• Monitor the uptake of the post-retirement scheme as part of promoting universal healthcare</li> </ul>	<p>retirement benefits schemes to access a portion of their accrued benefits to purchase a residential house, including under the affordable housing program. The Authority developed draft regulations which have been forwarded to the Cabinet Secretary for gazettment. This will ensure that members are able to utilize their savings to secure a home while still working.</p> <ul style="list-style-type: none"> <li>• The Authority also held sensitization forums to sensitized members and trustees on affordable housing and post-retirement medical scheme.</li> </ul>
	Improve the Retirement Benefits Sector Governance	Average risk score	<ul style="list-style-type: none"> <li>• Enforce good governance framework</li> <li>• Build capacity of the service providers on the governance framework</li> <li>• Develop and review guidelines and practice notes on scheme good governance</li> </ul>	<ul style="list-style-type: none"> <li>• The Authority continued to implement the risk based supervision and enforced the Retirement Benefits Act and regulations. The overall risk score as at 30<sup>th</sup> June 2020 was 3.149 indicating that the retirement benefits sector was relatively stable. The overall risk score was higher than the target of 2.88 during the period due to the failure many schemes to implement the governance and market conduct guidelines which were newly released.</li> <li>• The Authority also continued with the implementation of the <i>Retirement Benefits (Good Governance Practices) Guidelines, 2018</i>. The Authority carried out</li> </ul>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Key Achievements
				<p>sensitization to trustees and service providers. A baseline survey was also carried out and the compliance level was 23%. During the financial year, the implementation of the Guidelines focussed on the large schemes with asset values exceeding KShs.5 billion. Many schemes have reported a slowing down in activities leading to low compliance, owing to the Covid-19 pandemic and have asked for an extension of time.</p> <ul style="list-style-type: none"> <li>• The Authority also carried out sensitization to the Sector on implementation of the <i>Retirement Benefits (Treating Customers Fairly) Guidelines, 2019</i> that were gazetted as <i>Legal Notice No. 151 of 27<sup>th</sup> September 2019</i>. Implementation of this new set of Guidelines will be rolled out in the current FY 2020-2021 to guide sector players to enhance services to their clients.</li> <li>• During the year under review, a new set of Guidelines titled the <i>Retirement Benefits (Trustee Remuneration Policy and Scheme Expenses) Guidelines</i> were developed, with stakeholder input, to address concerns over rising scheme expenses. The Guidelines are awaiting gazette.</li> </ul>

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Key Achievements
<b>Enhancing Coverage in the Informal Sector</b>	Increase Pension Asset Base from Kshs. 1.2 trillion to 2.4 trillion by June 2024	Growth in Assets	<ul style="list-style-type: none"> <li>Promote investments in alternative assets</li> <li>Advocate for the implementation of the National Retirement Benefits Policy</li> </ul>	<ul style="list-style-type: none"> <li>Further, the Authority has embarked on developing anti-money laundering (AML) guidelines and will engage stakeholders to complete the same during FY 2020-2021.</li> <li>The pension assets increased from Kshs. 1,244.92 billion in June 2019 to Kshs. 1,322.59 billion in June 2020.</li> <li>The Authority sensitized trustees and other stakeholders on investment in alternative investments.</li> <li>The National Retirement Benefits Policy was developed and forwarded to the National Treasury.</li> </ul>
	Increase pension coverage from 20% to 30% of the labour force by June 2024.	Pension coverage	<ul style="list-style-type: none"> <li>Sensitized and follow up employers to facilitate access pension savings for their employees</li> <li>Sensitize the informal sector workers to start saving for retirement</li> </ul>	<ul style="list-style-type: none"> <li>The Authority carried out sensitization and follow up employers on the need to have pension arrangements and during the financial year ten (10) new schemes were registered.</li> <li>The pension coverage currently stands at 22% as at December 2019 from 20% December 2018 of the labour force.</li> <li>The Authority also partnered six (6) counties to sensitize the informal sector workers.</li> </ul>

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**CORPORATE GOVERNANCE STATEMENT**

The Retirement Benefits Authority (RBA) is a statutory body established in 1997 under the Retirement Benefits Act to regulate, supervise and promote the development of the pension industry. The Act was part of the reforms in the financial sector meant to enhance the coordination in the retirement benefits sector.

As Board we believe that strong cooperate governance framework and culture translates to a strong Authority that delivers to its shareholders

Retirement Benefits Authority's directors and management are committed to Conducting business in an ethical, fair and transparent manner In accordance with high standards of corporate governance. The Board, together with the management team, leads by Example. We have a robust corporate governance framework in place and we are committed to fostering a culture of compliance that values integrity, Transparency and accountability, responsiveness, Integrity and innovation.

**Our corporate governance framework includes:**

- An engaged Board of directors with a diverse range of skills and experience supported by an effective Board Committee structure.
- Clear and transparent communication with our shareholders.
- Strong risk management and assurance processes and culture.
- Our values and behaviours and supporting policies that underpin the way we behave and meet our strategic objectives.

**The role and responsibilities of the Board and management**

The Board's primary role is to enable the protection and enhancement of long term shareholder value taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community. The Board is accountable to shareholders for the performance of the Authority. It directs and monitors the business and affairs of the Authority on behalf of shareholders and is responsible for the Authority's overall corporate governance. In particular, the Board's responsibilities include:

- Setting the 'tone from the top' through influencing the corporate culture, ethical standards and reputation of the authority;
- Approving the strategic objectives and direction of the Authority and overseeing management's implementation of those strategic objectives;
- Monitoring the Authority's operational performance generally Including its financial state and the effectiveness of the Authority's safety and sustainability strategies;
- Approving major expenditures, transactions, budgets, funding plans and capital management initiatives;
- Monitoring the integrity, effectiveness and consistency of setting the overall remuneration framework for the Authority; appointing, setting the remuneration and assessing the performance of the CEO, as well as approving the appointment and remuneration of senior executives and overseeing their performance;

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- Overseeing executive succession planning; and monitoring the effectiveness of the Authority's governance practices including overseeing shareholder reporting and engagement as well as compliance with the Authority's continuous disclosure obligations.

### **The Board size and composition**

In the financial year ended 30th June 2020, the Board was made up to (9) members comprising of a non-executive Chairman, four (4) non-executive members appointed by the Cabinet Secretary National Treasury and planning, the Cabinet Secretary, National Treasury and Planning, Chief Executive Officer Capital Market Authority, the Chief Executive Officer Insurance Regulatory and the Chief Executive Officer Retirement Benefits Authority.

No	Name	Designation
1.	Mr. Victor Pratt	Chairman ( Re-appointed 1 <sup>st</sup> June,2019)
2.	Hon. Ukur Yattani, EGH	Cabinet Secretary ,The National Treasury & Planning
3.	Mr. Joseph Ngugi	Alternate, Cabinet Secretary, The National Treasury & Planning Appointed 14 <sup>th</sup> October 2015
4.	Mr. Godfrey Kiptum, MBS	CEO, Insurance Regulatory Authority
5.	Mr. Wycliffe Shamiah	Ag. CEO, Capital Market authority (Appointed on 1st January 2020)
6.	Mr. Paul Muthaura, MBS	CEO, Capital Market Authority (Retired on 31st December 2019)
7.	Mr. Steve Gichohi Gichuhi ,MBS	Director (Re-Appointed 6th June 2018)
8.	Mr. Edwin Rotich	Director (Appointed 19th December 2018)
9.	Dr. Margaret M. Makumi	Director (Appointed 6th June,2018)
10.	Hon. Sammy Koech	Director (Appointed 8th June 2018)
11.	Mr. Nzomo Mutuku, MBS	Chief Executive Officer (1st July 2018)

The Inspector General (Corporations) under section 18(2) of the States Corporations Act cap 446 may attend the meetings of any state Corporations or any of the board or Committee as he deems necessary for the effective performance of his duties under the Act.

### **Committees of the Board**

To comply with Chapter one of Mwongozo, the board constitutes four (4) Committee each with its own Charter. The individual Charters set forth the purpose, goals and responsibilities of the committee as well as the qualification of the committee membership, the procedure for appointment and removal of a member and the procedure of reporting to the Board. The committee facilitate efficient decision making of the board in the discharge of its statutory duties and responsibilities.

All directors exercise the requisite duty and care in the best interest of the Authority. The current Board and their membership on the Board Committees of the Authority are as follows:

### **1. Technical Committee**

- Hon. Sammy Koech- Chairperson
- Mr. Edwin Rotich
- Mr. Stephen Gichohi Gichuhi, MBS
- Godfrey K. Kiptum, MBS
- Mr. Joseph Ngugi –Alternate CS, The National Treasury & Planning

The technical committee held four (4) regular meeting and four (4) special meeting in the period under review.

### **2. Staff Welfare and Remuneration Committee**

The membership of this committee is as follows:

- Dr. Margret M. Makumi- Chairperson
- Hon. Sammy Koech
- Mr. Edwin Rotich
- Mr. Wycliffe Shamiah
- Mr. Joseph Ngugi –Alternate CS, The National Treasury & Planning

The Committee held four (4) regular meetings and one (1) special meeting in the period under review.

### **3. Finance and Administration Committee**

Membership of this committee is as follows:

- Steven Gichohi Gichuhi, MBS – Chairperson
- Godfrey Kiptum MBS
- Hon. Sammy Koech
- Dr. Margret M. Makumi
- Mr. Joseph Ngugi –Alternate CS, The National Treasury & Planning

The committee held four (4) regular meetings and four (4) special meeting in the period under review.

### **4. Audit and Risk Management Committee**

The membership of this committee is as follows:

- Mr. Edwin Rotich-Chairperson
- Hon. Sammy Koech
- Dr. Margret M. Makumi

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- Mr. Wickliffe Shamiah
- Mr. Joseph Ngugi -Alternate CS, The National Treasury & Planning

The committee held four (4) regular meetings and one (1) special meeting in the period under review.

**The Board Meetings**

During the period under review, the board held four (4) regular full board meeting and two (2) Special meetings as shown in the table below.

The following are the number of Board meetings held in the period ending 30th June 2020

	<b>Meeting</b>	<b>No. of Meetings</b>	<b>Membership</b>	<b>Average Attendance</b>
1	Full Board Meeting	6	10	76%
2	Technical committee	8	5	80%
3	Staff Welfare and Remuneration Committee	5	5	68%
4	Finance and Administration Committee	8	5	80%
5	Audit and Risk Management Committee	5	5	85%

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<b>BOARD AND COMMITTEE MEETINGS ATTENDANCE FOR THE YEAR 2019/2020</b>									
	<b>Board Member</b>	<b>Classification</b>	<b>Designation</b>	<b>A</b> 4 regular meetings and 4 special meetings	<b>B</b> 4 regular meetings and 1 special meeting	<b>C</b> 4 regular meetings and 4 special meetings	<b>D</b> 4 regular meetings and 1 special meeting	<b>E</b> 4 regular meetings and 2 special meetings	<b>Total</b>
1	Mr. Victor Pratt	Independent	Board Chairman					6/6	6/6
2	Mr. Joseph Ngugi	Representing the Cabinet Secretary, National Treasury	Member	4/8	2/5	3/8	4/5	5/6	18/32
3	Mr. Wycliffe Shamiah	Ag. CEO Capital Markets Authority	Member		1/5		1/5	2/6	4/16
4	Paul Muthaura	CEO Capital Markets Authority	Member		1/5			2/6	3/11
5	Mr. Godfrey K.Kiptum MBS	CEO Insurance Regulatory Authority	Member and Chairperson - TC	6/8		6/8		5/6	17/22
6	Mr. Steve Gichohi Gichuhi MBS	Independent	Member and Chairperson - FAC	8/8		8/8		5/6	21/22
7	Hon. Sammy Koech	Independent	Member	6/8	4/5	7/8	4/5	6/6	27/32
8	Dr. Margret Makumi	Independent	Member	8/8	4/5		5/5	5/6	22/24
9	Mr. Edwin Rotich	Independent	Member		5/5	8/8	3/5	5/6	21/24
10	Mr. M'inoti Maingi	Inspector of state Corporation		2/8	1/5			1/6	4/19
11	Mr. Stephen Mbatia Kamau	Inspector of State Corporations		1/8	1/5	2/8		3/6	7/27

**KEY:**

- A: Finance & Administration Committee (FAC)
- B: Audit and Risk Management Committee (AC)
- C: Technical Committee (TC)
- D: Staff Welfare and Remuneration Committee (SWRC)
- E: Main Board

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**1. Operational and financial Performance**

The Financial Performance of the Authority for the twelve months ended 30<sup>th</sup> June 2020 is presented herewith in the requirement of the Retirement Benefits Act, the Public Audit Act, and the International Public Sector Accounting Standards.

**Revenue**

The Authority's total revenue for the financial year 2019-2020 was Kshs. 994.5 Million included levy of Kshs. 950.5 million, licensing fees of Kshs. 3.5 million, revenue from exchange transactions of Kshs. 9.8 million and miscellaneous income of Kshs. 29.2 million. This was an improvement compared to the performance of 2018-2019 FY where the Authority earned Kshs. 931.1 million.

**Expenditure**

The operating expenditure for the Authority for 2019-2020 FY was Kshs. 773.9 million compared to Kshs. 796.2 million in the previous year 2018-2019 FY. The drop in expenditure mainly attributable to the fact that the Authority had to adopt alternative ways of delivery of its services including virtually meetings owing to the outbreak of Covid 19 Pandemic.

The capital expenditure during the financial year 2019-2020 FY, the Authority acquired additional assets amounting to Kshs. 236.5 million compared to Kshs. 14.3 million for the previous year 2018-2019 FY. The huge increase in capital expenditure during the year arose due to acquisition of servers and Enterprise Resource Planning (ERP) software funded by Financial Sector Support Program (FSSP) amounting to Kshs. 231.3 million.

**Cash Flow Statement**

The cash and cash equivalent for 2019-2020 FY was Kshs. 577.3 million compared to Kshs. 686.3 million in the prior-year 2018-2019 FY as presented in the cashflow statement.

**Surplus/deficit**

In the 2019-2020 financial years the Authority had a surplus of Kshs. 220.6 million compared to Kshs. 135.6 million in 2018-2019 financial year.

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**2. Compliance with Statutory requirement**

The Authority has continued to comply with all applicable laws and statutory requirements. Currently there no ongoing court cases or default which may amount to contingent liabilities.

**3. Key Projects implemented by the Authority**

The Authority implemented a number of projects with the donor funding by World Bank through the Financial Sector Support Program (FSSP):

	<b>Project</b>	<b>Brief description</b>	<b>Completion</b>
1	Acquisition of Business Continuity/ Disaster recovery solution	This has been completed and it supported the upgrading of the Authority's IT systems to enhance its supervisory and oversight functions. It involved the acquisition of hardware, software and related network equipment that enabled the provision of business continuity and disaster recovery solution.	
2	Review the legal framework with a view to broadening the pension fund investment scope.	The project was designed to develop an enabling legal framework to support long-term investments. It informed the proposal on a debt instrument under the PPP Act as a new investment asset class and has motivated the formation of a Pension Consortium by a group of pension schemes that have pooled their resources to undertake direct large investments in government infrastructure projects under the proposed asset class when approved.	January 2020
3	Upgrading the existing Risk Based Supervisory System (RBSS) and Enterprise Resource Planning (ERP)	New specifications to cater for emerging issues in the pension industry and also address gaps identified in the existing Enterprise Resource Planning (ERP) system, Risk Based Supervision System (RBSS) and allow for integration of the two systems.	ERP deployed in July 2019 and RBSS due for completion in August 2020.

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**4. Major Risks facing the Authority**

The Mwongozo Code of Governance for State Corporations, 2015, requires key risks to which the reporting entity is exposed to be, are disclosed to stakeholders in a complete, timely, relevant and accurate manner.

The following table presents the top-three organizational risks facing the Authority. The Board and Management continue to monitor implementation of the proposed treatment/mitigation strategies.

NO	RISK	DESCRIPTION OF RISK	KEY MITIGATION MEASURES
1	Inadequate regulation and supervision of the establishment and management retirement benefits sector.	The Authority's regulatory mandate is anchored within the Retirement Benefits Act. Some provisions of the Act may become inadequate in carrying out the Authority's mandate.	<ol style="list-style-type: none"> <li>1. Regular review of processes and identification of areas of improvement</li> <li>2. Development of a framework for collecting interested parties' views on the retirement benefits industry</li> <li>3. Actively lobbying for amendments that are key to the Authority's operations</li> <li>4. Strengthening enforcement of the Retirement Benefits Act</li> <li>5. Reviewing gaps in the regulatory framework and proposing amendments.</li> <li>6. Developing and issuing guidelines/practice notes on industry issues</li> </ol>
2	Inadequate protection of members interests (benefits rights and responsibilities)	This is part of RBA's mandate as set out in the Retirement Benefits Act and Regulations - to protect interest of members and sponsors of retirement benefits schemes. This risk would manifest on how the Authority seeks to carry out the mandate as relates to rights of sponsors and members. It also	<ol style="list-style-type: none"> <li>1. Realigning the regulatory policy to the Government's agenda and the Authority's mandate.</li> <li>2. Regularly reviewing and amending the legislative framework</li> <li>3. Segmentation of the Retirement Benefits</li> </ol>

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NO	RISK	DESCRIPTION OF RISK	KEY MITIGATION MEASURES
		relates to failure to enforce proper governance structures in the retirement benefits sector.	Sector 4. Developing market conduct guidelines for use by the retirement benefits sector. 5. Enforcement of Governance Guidelines in the retirement benefits sector
3	Limitations in creation of an enabling environment for growth of Retirement Benefits sector	This risk arises from the mandate and affects the core mandate of the Authority. It is therefore required of the Authority to put in place measures that would encourage the growth of the sector to cover as many citizens as possible. The risk may therefore manifest in the over-regulation of the sector to stunt the growth or on the other hand to enhance and encourage the sector leading to phenomenon growth.	Lobbying for changes in the Retirement Benefits Act to remove prohibitive sections and add clauses to encourage growth.
4	COVID-19 pandemic and its effects on the Authority and industry	<p>The COVID-19 pandemic has the potential of increasing instances of breaches of the law by service providers and retirement benefits schemes. This may be caused by the new working environment in the pandemic period.</p> <p>The COVID-19 pandemic may affect the execution of the core mandate of the Authority. This would be due to adverse effects on the Authority's key resource, the Board, Management and staff.</p>	<p>The Authority continues to take proportionate and risk-based approach towards enforcement decisions.</p> <p>In order to secure its human resources from the effects of the pandemic, the Authority has implemented all Government containment measures on COVID-19, including remote working, among others.</p>

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**5. Material arrears in statutory and financial obligations**

During the financial year 2019-2020 the Authority did not have any material arrears in statutory and other financial obligations.

## 1. Informal Sector Engagement

To complement its mandate, RBA carries out Corporate Social Responsibility and Investment (CSR&I) activities that are aimed at increasing the number of Micro & Small Enterprises (MSEs) taking up a pension cover as well as improving the environment in which they operate. During the financial year, the Authority carried out a number of CSR&I programmes. These included market cleaning exercises in Nyamira, Nyeri, Narok, Busia, Taita Taveta and Bungoma counties. The cleaning exercises in various counties were preceded by sensitization forums on the importance of saving for retirement.



RBA CEO Nzomo Mutuku (left) paying courtesy call to Bungoma County Deputy Governor Ngome Kibanani (right). RBA was in Bungoma sensitizing members of the informal sector on need to save for retirement.



RBA Communications Officer Michael Mwangi sensitizing members of the informal sector in need to save for retirement at a market in Nyamira County.

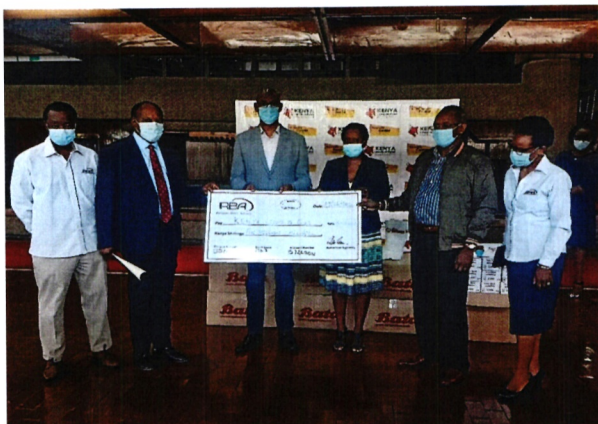
In the forums, RBA staff drawn from different departments responded to queries from hundreds of Kenyans on how and where to save for retirement or on issues about their pension schemes in terms of savings, investments and payments.

The MSEs were also sensitized on the importance of conducting business in a clean environment in order to attract customers, grow incomes and avoid diseases so that they can live long, meaningful lives in order to enjoy their retirement savings.

## 2. Contribution to Covid Emergency Fund

Further the Authority donated Sh5 million to the Covid-19 Emergency Response Fund to complement government's efforts in cushioning the vulnerable members of society from adverse effects meted by the Covid-19 pandemic.

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RBA CEO Nzomo Mutuku (1<sup>st</sup> left), RBA Chairman Victor Pratt (2<sup>nd</sup> left), COVID-19 Emergency Fund's Jeremy Awori (Board Member) Jane Karuku (CEO) and Kennedy Kihara (Board Member) on 27<sup>th</sup> June 2020 at KICC when RBA donated sh5m towards the vulnerable. Looking on is RBA Board Secretary Praxidis Saisi (1<sup>st</sup> right)

**3. Staff welfare**

In the 2019/2020 financial year the Authority organized various staff events to enhance welfare of staff and their families. The events included a sports day that was jointly organized in March 2020 with other financial sector regulators including the Capital Markets Authority, Insurance Regulatory Authority and Sacco Societies Regulatory Authority. The Authority further organized the annual Staff and Children's wellness days at the Public Service Club in line with its vision of maintaining a healthy and happy workforce. Staff and their children had opportunity to learn on how to keep healthy and had their vitals checked by medical professionals.



RBA Staff celebrating after winning the Men's football during the Joint Financial Sector Regulators sports day.

During the financial year 2019-2020 three members of staff retired and as per the Authority's culture and tradition staff are bided farewell party. Below are some of the captions of officers who retired during the year.



RBA CEO Nzomo Mutuku (left) awards Jesse Kiptim (right), the retired Chief Manager Finance during his farewell.



Farewell party for Mr. Boniface Mwangangi and Mr. Zachary Makori.

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**REPORT OF THE DIRECTORS**

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

**Principal activities**

The principal activities of the Authority are:

- a) Regulate and supervise the establishment and management of retirement benefits schemes;
- b) Protect the interests of members and sponsors of retirement benefits sector;
- c) Promote the development of the retirement benefits sector;
- d) Advise the Cabinet Secretary National Treasury on the National policy to be followed with regard to the retirement benefits industry and implement all government policies thereto.

**Results**

The results of the Authority for the year ended June 30, 2020 are set out on page 1-6

**Directors**

The members of the Board of Directors who served during the year are shown on page vii. During the year 2020 the Chief executive officer, Capital Markets Authority/Director retired and was replaced by Acting Chief Executive officer, Capital Markets Authority from 1<sup>st</sup> January 2020.

**Dividends/Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority remitted **Kshs 350 million** relating to 2018-2019 financial year.

**Auditors**

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General is therefore responsible to carry out the audit of the Authority for the year/period ended June 30, 2020

By Order of the Board



**PRAVIDIS SAISI**  
Corporate Secretary  
Nairobi  
Date.....

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 of the state Corporation Act and the Retirement Benefits Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

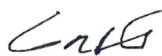
The Directors are responsible for the preparation and presentation of the Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) - The state Corporation and the Retirement Benefits Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the state of Authority transactions during the financial year ended June 30, 2020, and of the Authority financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority 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 Authority financial statements were approved by the Board on **30<sup>th</sup> September 2020** and signed on its behalf by:



.....  
**Director**



.....  
**Director**



.....  
**Director**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON RETIREMENT BENEFITS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Retirement Benefits Authority set out on pages 1 to 28, which comprise the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, the financial statements present fairly, in all material respects, the financial position of the Retirement Benefits Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Retirement Benefits, 1997.

#### **Basis for Opinion**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Retirement Benefits Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with 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 opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## 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, I confirm that, nothing 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**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan to 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 and appropriate 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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 overall 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 the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) 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 Authority's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Authority 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 Directors are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Management 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 overall 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 overall 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 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 Authority'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 Authority to cease to continue 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**05 July, 2021**

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Descriptions	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Revenue from Non-Exchange	6	955,344,049	889,558,624
<b>Total revenue from non-exchange</b>		<b>955,344,049</b>	<b>889,558,624</b>
<b>Revenue from exchange transactions</b>			
Revenue from Exchange Transactions	7	9,839,503	29,941,016
Other income	8	29,325,608	11,618,731
<b>Total revenue from exchange transactions</b>		<b>39,165,111</b>	<b>41,559,747</b>
<b>Total revenue</b>		<b>994,509,160</b>	<b>931,118,371</b>
<b>Expenses</b>			
Employee costs	9	373,575,800	346,465,190
Remuneration of Directors	10	17,492,687	28,065,193
Depreciation and Amortization Expense	11	72,393,535	13,962,424
Repairs and maintenance	12	4,119,713	6,094,891
General expenses	13	305,315,923	400,837,549
Bank charges	14	971,011	867,933
<b>Total expenses</b>		<b>773,868,670</b>	<b>796,293,180</b>
<b>Other gains/(losses)</b>			
Gains on sale of assets	15	-	782,054
Impairment loss			
<b>Total gains/(losses)</b>		<b>-</b>	<b>782,054</b>
<b>Surplus before tax</b>		<b>220,640,490</b>	<b>135,607,245</b>
Remission to National Treasury	16	(350,000,000)	(163,972,694)
<b>Net Surplus /deficit for the year</b>		<b>(129,359,510)</b>	<b>(28,365,450)</b>

The notes set out on pages 7 to 25 form an integral part of these Financial Statements

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**REPORT OF THE INDEPENDENT AUDITORS ON THE RETIREMENT BENEFITS  
AUTHORITY**

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

Description	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	577,315,144	686,258,493
Receivables from Non-Exchange Transactions	17	12,700,791	16,341,319
Trade debtors and prepayments	18	7,771,602	4,708,131
<b>Total Current Assets</b>		<b>597,787,537</b>	<b>707,307,944</b>
<b>Non-current assets</b>			
Property, plant and equipment	19	230,720,678	65,835,863
Investments ( deposits)	20	382,046,861	319,623,018
<b>Total non - current assets</b>		<b>612,767,539</b>	<b>385,458,880</b>
<b>Total assets</b>		<b>1,210,555,076</b>	<b>1,092,766,824</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Employer Obligations	21	16,711,545	16,711,545
Payables from Exchange Transactions	22	54,369,798	28,572,856
<b>Total current liabilities</b>		<b>71,081,343</b>	<b>45,284,401</b>
<b>Non-Current Liabilities</b>			
Capital Fund	23	330,707,821	109,357,000
Accumulated surplus	24	808,765,912	938,125,422
<b>Total Non-Current Liabilities</b>		<b>1,139,473,733</b>	
<b>Total net liabilities</b>			

The Financial Statements set out on pages 1 to 25 were signed on 1

Chief Executive Officer  
Name: Nzomo Mutuku, MBS

Head of Finance  
Name: Seth Onyango  
ICPAK Member Number: 116



Date.....



Date.....

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**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

Descriptions	Capital Fund	General Fund	Total Fund
	Kshs	Kshs	Kshs
<b>At 1 July 2019</b>	109,357,000	938,125,398	1,047,482,398
Surplus/ (Deficit for the period)	-	220,460,490	220,460,490
Remittance to National Treasury	-	(350,000,000)	(350,000,000)
<b>At 30 June 2020</b>	<b>109,357,000</b>	<b>808,765,888</b>	<b>918,122,888</b>
<b>At 1 July 2018</b>	109,357,000	966,490,848	1,075,847,848
Surplus/ Deficit for the period	-	135,607,245	135,607,245
Surplus Paid	-	(163,972,694)	(163,972,694)
<b>At 30 June 2019</b>	<b>109,357,000</b>	<b>938,125,398</b>	<b>1,047,482,398</b>

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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

Descriptions		2019-2020	2018-2019
	NOTE	Kshs.	Kshs.
<b>Cash flows from operating activities:-</b>			
Net Surplus of the year		220,640,490	135,607,245
<b>Adjusted for:</b>			
Gain & Loss on disposal written back	14	-	(782,054)
Depreciation written back	11	72,393,535	13,962,424
		<b>293,034,025</b>	<b>148,787,615</b>
<b>Working capital changes</b>			
(Increase )/Decrease in receivable	17&18	577,058	(9,634,609)
Increase / (Decrease) in payable	21&22	25,796,942	10,470,665
<b>Cash generated from operations</b>		26,373,999	836,056
<b>Net cash flows from operating activities</b>		<b>319,408,024</b>	<b>149,623,671</b>
<b>Cash flows from investing activities :-</b>			
Purchase of Property & Equipment	19	(15,927,530)	(14,394,995)
Proceeds from Sale of Assets	15	-	1,306,100
<b>Net cash used in investing activities</b>		<b>(15,927,530)</b>	<b>(13,088,895)</b>
<b>Cash flows from financing activities :-</b>			
Increase in deposits	20(b)	(62,423,843)	(6,520,148)
Surplus / Remittance to National Treasury	23	(350,000,000)	(163,972,694)
<b>Net cash used in financing activities</b>		<b>(412,423,843)</b>	<b>(170,492,842)</b>
<b>Net increase/(decrease) in cash and cash equivalent in the year</b>		<b>(108,943,349)</b>	<b>(33,958,066)</b>
<b>Cash and cash equivalents as 1 JULY 2019</b>		<b>686,258,493</b>	<b>720,216,559</b>
<b>Cash and cash equivalents as 30 June 2020 &amp; 30 June 2019</b>		<b>577,315,144</b>	<b>686,258,493</b>

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

Descriptions	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	%Var	Notes
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Fees Income	4,000,000	-	4,000,000	3,450,000	(550,000)	-14%	a
Interest from Bank Deposit	4,000,000	-	4,000,000	6,895,976	2,895,976	72%	b
Investment Income	35,000,000	-	35,000,000	2,943,527	(32,056,473)	-92%	c
Miscellaneous Income	12,600,000	-	12,600,000	26,217,398	13,617,398	108%	d
Retirement Benefits Levy	914,800,000	-	914,800,000	950,468,801	35,668,801	4%	
Grants, Dev't Partner(FSSP)	3,000,000	-	3,000,000	3,016,000	16,000	1%	
Tribunal Fees	60,000	-	60,000	92,210	32,210	54%	e
Statutory Penalties	-	-	-	1,425,248	1,425,248	100%	f
<b>Total Trading Income</b>	<b>973,460,000</b>	<b>-</b>	<b>973,460,000</b>	<b>994,509,160</b>	<b>21,049,160</b>	<b>14%</b>	
<b>Gross Profit</b>	<b>973,460,000</b>	<b>-</b>	<b>973,460,000</b>	<b>994,509,160</b>	<b>21,049,160</b>		
<b>Expense</b>							
Bank Charges	400,000	300,000	700,000	971,011	(271,011)	-39%	g
Board Expenses	31,273,000	(13,968,000)	17,305,000	17,492,687	(187,687)	-1%	
Cleaning Expenses	5,000,000	(1,652,000)	3,348,000	3,359,211	(11,211)	0%	
Consumer Protection (Education)	31,834,000	(25,434,000)	6,400,000	6,673,302	(273,302)	-4%	
Depreciation	10,000,000	5,290,000	15,290,000	72,393,535	(57,103,535)	-373%	h
Financial Literacy (Scheme Visit)	15,500,000	(12,500,000)	3,000,000	3,301,672	(301,672)	-10%	
Hire of Equipment	11,274,000	(5,999,000)	5,275,000	6,331,994	(1,056,994)	-20%	i
Information Technology Systems	22,491,000	(13,300,000)	9,191,000	9,139,515	51,485	1%	
Library Expenses	3,565,000	(565,000)	3,000,000	2,890,571	109,429	4%	
Maintenance Insure & Security of Equipment	8,640,000	(7,550,000)	1,090,000	925,182	164,818	15%	j
Medical Expenses	29,915,000	5,000,000	34,915,000	30,973,896	3,941,104	11%	k
Member Education Seminars	39,112,000	(25,916,000)	13,196,000	13,025,629	170,371	1%	
Motor Vehicle Maintenance & Security	4,320,000	(1,000,000)	3,320,000	3,194,531	125,469	4%	

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Descriptions	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	%Var	Notes
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Office Running Expenses	6,274,000	(1,100,000)	5,174,000	5,168,277	5,723	0%	
Official Entertainment	3,500,000	2,991,000	6,491,000	6,542,452	(51,452)	-1%	
Pension Contribution	48,192,000	-	48,192,000	41,295,266	6,896,734	14%	l
Pension Education (Electronic Media)	16,015,000	(14,715,000)	1,300,000	2,268,386	(968,386)	-74%	m
Personnel Emoluments	346,897,000	-	346,897,000	301,306,638	45,590,362	13%	n
Post & Telephone	6,280,000	220,000	6,500,000	8,979,728	(2,479,728)	-38%	o
Power & Lighting	6,960,000	-	6,960,000	6,546,768	413,232	6%	
Printing & stationery expenses	6,077,956	(4,577,956)	1,500,000	1,729,208	(229,208)	-15%	p
Professional Charges	94,350,000	(55,232,000)	39,118,000	50,095,161	(10,977,161)	-28%	q
Rent & Ground Rates	41,344,000	-	41,344,000	41,262,878	81,122	0%	
Research & Development	31,629,000	(18,640,000)	12,989,000	13,507,653	(518,653)	-4%	
Sports & Recreation	9,000,000	4,000,000	13,000,000	13,884,439	(884,439)	-7%	
Training & Development	41,532,000	(16,532,000)	25,000,000	24,953,295	46,705	0%	
Travel & Accommodation	65,575,000	(23,875,000)	41,700,000	72,987,347	(31,287,347)	-75%	r
Tribunal Expenses	15,576,000	(11,200,000)	4,376,000	4,125,661	250,339	6%	
Promotional Materials	1,000,000	-	1,000,000	854,150	145,850	15%	s
Sponsorship	5,000,000	2,500,000	7,500,000	7,341,650	158,350	2%	
Partitioning and Repairs	1,200,000	(800,000)	400,000	346,978	53,022	13%	t
<b>Total Expenses</b>	<b>959,725,956</b>		<b>725,471,000</b>	<b>773,868,670</b>	<b>(48,397,670)</b>		
Gain/loss on Sale of Assets	-		-	-	-		
<b>Total Gain/Losses</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>		
<b>Surplus before Tax Transferred to G/Fund</b>	<b>13,734,044</b>		<b>247,989,000</b>	<b>220,640,490</b>	<b>27,348,510</b>		
Instalment 90% paid	-			350,000,000	(350,000,000)		
<b>Surplus Fund after 90%</b>	<b>13,734,044</b>		<b>247,989,000</b>	<b>(129,359,510)</b>	<b>(377,348,510)</b>		

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**Budget notes**

**a. Fees Income**

Fees income consists of fees paid by service providers such as Custodians, Administrators and Fund managers for annual license. The Authority budgeted to receive Kshs. 4 million as fees from service providers with anticipation of registering additional new service providers. However, the targeted number of new registrations was not achieved leading to actual collection of Kshs. 3.5 million resulting to a negative variance 14%.

**b. Interest from bank deposits**

The Authority budgeted to earn Kshs. 4 million in form of interest from bank deposits. However, during the period, the Authority earned Kshs. 6.9 million indicating a positive variance of Kshs. 2.9 million. This was due to negotiated interest rates on the available bank deposits which were not for immediate use.

**c. Investment Income**

Investment income is derived from investment in treasury bills, of funds not for immediate use. During the year, the Authority budgeted to earn Kshs. 35 million in form of investment income. However, the actual amount earned was Kshs. 2.9 million indicating a negative variance of Kshs. 32.1 million. This was due to remittance of surplus funds amounting to Kshs. 350 million to the National exchequer.

**d. Miscellaneous Income**

Miscellaneous income relates to refunds received by the Authority in relation to staff who are seconded and offering services to other Government institutions. During the year the Authority budgeted to receive refunds of Kshs. 12.6 million. However, the

Authority received Kshs. 26.2 million due to a request from the National Treasury to second an officer to offer specialized services. This led to an increase in refunds amounting to Kshs. 13.6 million.

**e. Tribunal Fees**

Tribunal fees relates to fees paid by parties seeking Retirement Benefits tribunal services such as filing of cases. In the year under review, the Authority budgeted to receive Kshs. 60,000 in form of tribunal fees. However, the matters filed at the tribunal were higher than anticipated hence the Authority received Kshs. 92,210 translating to an increase of Kshs. 32,210.

**f. Statutory Penalties**

Statutory penalties are amounts levied against service providers and retirement benefit schemes for non-compliance. The Authority ordinarily does not budget to earn income from statutory penalties. However, during the year, the Authority received Kshs. 1.4 million in form of penalties levied to service providers and schemes.

**g. Bank Charges**

The Authority budgeted to incur Kshs. 700,000 in bank charges. However, during the year the Authority incurred Kshs. 971,011 in bank charges. The variance of Kshs. 271,011 was due to unpredictability of bank charges and increased use of internet banking which has proved expensive.

**h. Depreciation**

The Authority budgeted for depreciation and amortization of Kshs. 15.3 million. The actual depreciation provided for in the year stood at

Kshs. 72.4 million. The significant variance of Kshs. 57.1 million was due to acquisition of new supervisory system/ERP and disaster recovery hardware with the support of the Financial Sector Support programme (FSSP).

**i. Hire of Equipment's**

The Authority budgeted to spend Kshs. 5.3 million on hire of equipment's, however, the actual expenditure stood at Kshs. 6.3 million resulting to a negative variance of 20%. The variance is due to omission by one of the service provider who had not raised invoice for one of the equipment's leased to the Authority for one year.

**j. Maintenance and Insurance of Equipment**

The Authority budgeted to spend Kshs. 1.1 million in maintenance and insurance of equipment. However, the actual amount spent was Kshs. 0.9 million. The variance of Kshs. 0.2 million was due to reduced usage of equipment within the Authority especially in the second half of the financial year. The reduced usage was as a result to staff working from home after emergence of Covid-19 pandemic.

**k. Medical Insurance**

The Authority budgeted to spend Kshs. 34.9 million on medical insurance. However, the actual expenditure was Kshs. 31.0 million, implying a variance of Kshs. 3.9 million. The under-expenditure was as a result of late recruitment of the planned staff and retirement of other staff during the year. Due to outbreak of Covid 19 pandemic there was general reduction in hospital visits by staff hence reduced cost of medical expenditure.

**l. Pension Contribution**

The Authority budgeted to spend Kshs. 48.2 million on pension contribution in the year. The actual contributions stood at Kshs. 41.3 million, implying a variance of Kshs. 6.9 million. The under-expenditure was due to delayed recruitment to replace retired staff and recruitment of planned additional staff.

**m. Pension Education (Electronic Media)**

The Authority budget to spend Kshs. 1.3 million this was after revision of the budget after emergence of Covid in the third quarter. The Authority however, spent Kshs. 2.3 million. The over expenditure was due to the execution of expenditures which were however thought that would not be executed with the emergence of Covid.

**n. Personnel Emoluments**

The Authority budgeted to spend Kshs. 346.9 million against actual spent of Kshs. 301.3 million. The under-expenditure was due to delay in recruitment to replace retired staff and recruitment of planned additional staff.

**o. Post and Telephone**

The Authority budgeted to spend Kshs. 6.5 million against actual expenditure of Kshs. 9.0 million, resulting to a variance of Kshs. 2.5 million. The over-expenditure was as a result of emergence of Covid-19 pandemic which necessitated facilitation of staff working from home by providing internet and airtime. These were measures put as part of reducing congestion in the office to curb the spread of Covid-19 as advised by the Government.

**p. Printing and Stationery**

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The Authority budgeted to spend Kshs. 1.5 million against the actual spend of Kshs. 1.7 million resulting to a variance of Kshs. 0.3 million. The over-expenditure was as result of increased demand in printing of strategic plan documents and other print documents.

**q. Professional Charges**

The Authority budgeted to spend Kshs. 39.1 million against an actual spend of Kshs. 50.1 million resulting to an over-expenditure of Kshs. 11.0 million. The negative variance is due to accomplishment of some of the activities which were not expected to be implemented with the emergence of Covid-19. This led to reallocation of some of the funds to other votes where the Authority anticipated to utilize those funds.

**r. Travel and Accommodation Expenses**

The Authority initially budgeted to spend Kshs.65.6 million on travel and accommodation. However, after the emergence of Covid-19 and Government directive to reallocate all funds relating to travel and accommodation, the Authority reallocated Kshs. 23.9 million to other votes, bringing down the final budget to Kshs. 41.7 million. The actual expenditure stood at Kshs. 73.0 million resulting to a variance of Kshs. 31.3 million. . The over-expenditure was due to an anomaly during mid-year budget reallocation, which led to reallocation of funds relating to travel and accommodation to capital budget to finance acquisition of office space without taking into consideration the expenditures incurred prior to revision of the budget.

**a. Promotional Materials**

The Authority budgeted for Kshs. 1 million against actual expenditure of Kshs. 0.9 million resulting to a variance of Kshs. 0.1 million. The under-expenditure was due to reduced activities at the Authority where promotional materials are used, since promotional materials were used during sensitization of employers, members and informal sector during pension education.

**s. Partitioning and Repair**

The Authority budgeted to spend Kshs. 0.4 million against actual expenditure of Kshs. 0.3 million resulting to an under-expenditure variance of Kshs. 0.1 million. The under-expenditure was due to unpredictability of the costs of the partitioning and repairs during budgeting.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Retirement Benefits Authority is established by and derives its authority and accountability from Retirement Benefit Act (Cap 197). The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to Regulate and supervise the establishment and management of retirement benefits schemes.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments 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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Authority*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act Retirement Benefits Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard did not have any effect on the Authority's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Authority's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Authority's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Authority provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Authority;</p>

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Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Authority's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.  Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.  Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).  Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

**iii. Early adoption of standards**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The Authority recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**a) Revenue recognition (Continued)**

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Authority's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2019-2020 was approved by the National Treasury and Planning on 2<sup>nd</sup> October 2019. Subsequent revisions or additional

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appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority did not record any additional appropriations in the 2019-2020 budgets.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. 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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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 section two of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease

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liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**f) Research and development costs**

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

*Impairment of financial assets*

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an Authority of financial assets is impaired. A financial asset or a Authority of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

h) Research and development costs (Continued)

i) Financial instruments (Continued)

*Financial assets (Continued)*

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*Impairment of financial assets (Continued)*

- The debtors or an Authority of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

**j) Provisions ( IPSAS19)**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

***Contingent assets***

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

The Authority creates and maintains reserves in terms of specific requirements. Currently the Authority does not maintain any reserves.

**l) Changes in accounting policies and estimates**

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**m) Employee benefits ( IPSAS 39)**

### **Retirement benefit plans**

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### **n) Foreign currency transactions ( IPSAS 4)**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **o) Related parties**

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

#### **p) Service concession arrangements**

The Authority 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 Authority 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. To the extent that an asset has been recognized, the Authority also

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recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) 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 three 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 financial year. 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.

**r) Comparative figures**

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

**s) 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.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION  
UNCERTAINTY**

The preparation of the Authority's financial statements in conformity with IPSAS 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 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. The Authority based its assumptions and estimates on parameters available when the consolidated 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 Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**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:

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- The condition of the asset based on the assessment of experts employed by the Authority.
- 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 asset
- 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 18.

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. The provisions are made on the absolute amount of debts which are doubtful, other provisions provided in the financial statements is the provisions for payment of 90% surplus funds as provided by the Public Finance Management Act, 2012.

**6 REVENUE FROM NON EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	Kshs	Kshs
Retirement Benefits Levy	950,468,801	874,906,833
Service Provider Licensing Fee	3,450,000	3,450,000
Statutory Penalty	1,425,248	11,201,791
<b>Total</b>	<b>955,344,049</b>	<b>889,558,624</b>

**7 REVENUE FROM EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	KShs	KShs
Interest income from Treasury Bills	2,943,527	26,247,824
Interest income from bank deposits	6,895,976	3,693,192
<b>Total</b>	<b>9,839,503</b>	<b>29,941,016</b>

**8 OTHER INCOME**

Description	2019-2020	2018-2019
	KShs	KShs
Tribunal fees	92,210	16,400
Miscellaneous Income	29,233,398	11,602,331
<b>Total</b>	<b>29,325,608</b>	<b>11,618,731</b>

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9 EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Personnel Cost	301,306,638	289,737,544
Pension contributions	41,295,266	33,686,600
Medical expenses	30,973,896	23,041,046
<b>Total</b>	<b>373,575,800</b>	<b>346,465,190</b>

10 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	960,000	960,000
Directors emoluments	16,532,687	4,096,000
Other allowances	-	23,009,193
<b>Total director emoluments</b>	<b>17,492,687</b>	<b>28,065,193</b>

11 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	72,140,820	13,962,424
<b>Total depreciation and amortization</b>	<b>72,140,820</b>	<b>13,962,424</b>

12 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Equipment and machinery	925,182	2,367,086
Vehicles	3,194,531	3,727,805
<b>Total repairs and maintenance</b>	<b>4,119,713</b>	<b>6,094,891</b>

13 GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Member Education Services	13,025,629	33,826,917
Financial Literacy Activities	3,301,672	9,333,584
Pension Industry Development	2,268,386	4,419,276
Consumer Protection (Education)	6,673,302	32,926,933
Professional Charges	50,095,161	36,225,580
Cleaning Expenses	3,359,211	3,365,397

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Power & Lighting	6,546,768	5,074,002
Official Entertainment	6,542,452	2,826,112
Office Running Expenses	5,168,277	7,176,301
Library Expenses	2,890,571	2,251,516
Rent & Ground Rates	41,262,878	37,342,340
Training & Development	24,953,295	56,723,807
Staff welfare- Sports & recreation	13,884,439	16,364,761
Post & Telephone	8,979,728	8,877,311
Travel & Accommodation	72,987,347	58,542,492
Tribunal expenses	4,125,661	202,800
Hire of Equipment	6,331,994	883,300
Research & Development	13,507,653	59,903,223
Information & Technology Systems	9,139,515	21,441,310
Printing & stationery expenses	1,729,208	3,130,589
Promotional Materials	854,150	-
Sponsorship	7,341,650	-
Partitioning and Repairs	346,978	-
<b>Total</b>	<b>305,315,923</b>	<b>400,837,549</b>

**14 BANK CHARGES**

Description	2019-2020	2018-2019
	KShs	KShs
Bank charges	971,011	867,933
<b>Total</b>	<b>971,011</b>	<b>867,933</b>

**15 GAIN ON SALE OF ASSETS**

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	-	782,054
<b>Total gain on sale of assets</b>	<b>-</b>	<b>782,054</b>

**16 CASH AND CASH EQUIVALENTS**

Description	2019-2020	2018-2019
	KShs	KShs
KCB-Milimani (Main Account)	209,858,142	25,131,110
KCB-Milimani (Revenue A/C)	345,902,772	11,157,870
Barclays Bank (Office Account)	652,242	6,634,833
Commercial Bank of Africa	20,787,133	4,999,180
Cash In Hand	114,855	-
CBK- 91 Treasury Bills	-	638,335,500
<b>Total cash and cash equivalents</b>	<b>577,315,144</b>	<b>686,258,493</b>

17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
<b>Current receivables</b>		
Interest receivable on T-bills	-	8,720,973
Receivables from National Treasury	9,302,600	-
RBA Levy Receivable	3,398,191	7,620,347
<b>Total current receivables</b>	<b>12,700,791</b>	<b>16,341,319</b>

18 TRADE DEBTORS AND PREPAYMENTS FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
<b>Trade debtors and prepayments</b>		
Trade Debtors	4,912,842	4,008,325
Prepayments	3,778,407	1,607,684
Staff outstanding Imprest	-	11,769
Provision for doubtful debt	(919,647)	(919,647)
<b>Total</b>	<b>7,771,602</b>	<b>4,708,131</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 PROPERTY, PLANT AND EQUIPMENT**

	Motor Vehicles	Furniture and fittings	Plant & Equipment	Computer & Accessories	Software	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	47,344,035	34,634,380	106,395,592	-	-	188,374,007
Additions		7,625,965	15,032,261			22,658,226
Disposals						-
Transfers/ adjustments	-	-	-			-
<b>At 30th June 2018</b>	<b>47,344,035</b>	<b>42,260,345</b>	<b>121,427,853</b>	<b>-</b>	<b>-</b>	<b>211,032,233</b>
Additions	4,153,224	3,474,789	6,766,982			14,394,995
Disposals	(7,885,192)	(64,334)	(979,103)			(8,928,629)
Transfers/ adjustments	-	-	-			-
<b>At 30th June 2019</b>	<b>43,612,067</b>	<b>45,670,800</b>	<b>127,215,732</b>	<b>-</b>	<b>-</b>	<b>216,498,599</b>
Additions		753,840	94,905,920	2,184,744	139,433,847	237,278,351
Disposals						-
Transfers/ adjustments	-	-	-			-
<b>At 30th June 2020</b>	<b>43,612,067</b>	<b>46,424,640</b>	<b>222,121,652</b>	<b>2,184,744</b>	<b>139,433,847</b>	<b>453,776,949</b>
<b>Depreciation and impairment</b>						
At 1 July 2017	25,211,246	18,781,234	83,049,828	-	-	127,042,308
Depreciation	5,533,197	2,934,889	9,594,506			18,062,592
Depreciation written back on disposal						-
Impairment	-	-	-			-
<b>At 30th June 2018</b>	<b>30,744,443</b>	<b>21,716,123</b>	<b>92,644,334</b>	<b>-</b>	<b>-</b>	<b>145,104,900</b>
Depreciation	4,189,870	2,723,141	7,049,408			13,962,419
Disposals	(7,499,551)	(37,603)	(867,429)			(8,404,583)
Transfers/ adjustments	-	-	-			-
<b>At 30th June 2019</b>	<b>27,434,762</b>	<b>24,401,661</b>	<b>98,826,313</b>	<b>-</b>	<b>-</b>	<b>150,662,736</b>
Depreciation	4,044,326	2,752,872	36,988,602	720,966	27,886,769	72,393,535
Disposals						-
Transfers/ adjustments		-	-			-
<b>At 30th June 2020</b>	<b>31,479,088</b>	<b>27,154,534</b>	<b>135,814,915</b>	<b>720,966</b>	<b>27,886,769</b>	<b>223,056,271</b>
<b>Net book values</b>						
<b>At 30th June 2020</b>	<b>12,132,979</b>	<b>19,270,106</b>	<b>86,306,737</b>	<b>1,463,778</b>	<b>111,547,077</b>	<b>230,720,678</b>
<b>At 30th June 2019</b>	<b>16,177,305</b>	<b>21,269,138</b>	<b>28,389,419</b>	<b>-</b>	<b>-</b>	<b>65,835,863</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INVESTMENTS

Description	2019-2020	2018-2019
	KShs	KShs
<b>a) On- Call Deposits</b>		
RBA rent guarantee deposit	8,354,778	8,354,778
<b>Sub-total</b>	<b>8,354,778</b>	<b>8,354,778</b>
<b>b) Staff car loan/ mortgage</b>		
KCB Car loan security account	36,005,248	36,005,248
S&L mortgage deposits	256,579,781	232,118,631
NIC car loan deposit	11,150,672	10,711,849
HFCK mortgage deposits	69,956,383	32,432,512
<b>Sub-total</b>	<b>373,692,083</b>	<b>311,268,240</b>
<b>Grand total</b>	<b>382,046,861</b>	<b>319,623,018</b>

21 EMPLOYER OBLIGATIONS

Description	2019-2020	2018-2019
	KShs	KShs
Staff bonus	12,411,545	12,411,545
Staff gratuity	1,100,000	1,100,000
Board bonus	3,200,000	3,200,000
<b>Total Employer Obligations</b>	<b>16,711,545</b>	<b>16,711,545</b>

22 PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Creditors	53,365,694	28,572,856
<b>Total deposits</b>	<b>53,365,694</b>	<b>28,572,856</b>

23 CAPITAL FUND

Description	2019-2020	2018-2019
	KShs	KShs
Capital Fund (Seed Capital)	45,457,000	45,457,000
Grant from FSSP	221,350,821	-
Additional GOK Grants (FLSTP) project	63,900,000	63,900,000
<b>Total</b>	<b>330,707,821</b>	<b>109,357,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24 ACCUMULATED SURPLUS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>KShs</b>	<b>KShs</b>
General reserve fund	238,826,645	588,826,645
Net Profit (accumulated )	349,298,778	213,691,533
Net Profit (current year)	221,131,505	135,607,245
<b>Total</b>	<b>809,256,927</b>	<b>938,125,422</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Authority*, holding 100% of the *Authority's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Authority, both domestic and external. Other related parties include:

- i) The National Government
- ii) The National Treasury & Planning
- iii) Key Management
- iv) Board of Directors

Related party transaction	2019-2020	2018-2019
	KShs	KShs
The National Treasury 90% remittance	350,000,000	163,448,114
Chief Executive officer	9,600,000	9,600,000
Key Management	50,973,600	38,720,000
Board of Directors	17,492,687	28,065,193
<b>TOTAL</b>	<b>428,066,287</b>	<b>239,833,307</b>

26 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non-adjusting events after the reporting period.

27 ULTIMATE AND HOLDING AUTHORITY

The Authority is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of National Treasury and Planning. Its ultimate parent is the Government of Kenya.

28 Currency

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX 1: FINANCIAL SUPPORT RECEIVED BY THE AUTHORITY**

<b>Name</b>	<b>Details</b>	<b>Amount (KShs)</b>
Commissioner for VAT C/O KRA	Withholding VAT on Bluesky invoice	776,754.85
Lazarus Kisia Keizi C/O RBA	Training Expenses	19,800.00
Antony Mbunya Kiarahu C/O RBA	Training Expenses	18,846.00
Akarim Agencies Company Ltd P.O.BOX 32268-00600 Nairobi	RBA -Antony & Keizi airfares	338,000.00
Praxidis Namoni Saisi C/O RBA	Workshop expenses	6,901.00
African Touch Safaris Ltd P.O.BOX 931-00100 Nairobi	RBA -Edmond Koome & Christine Achieng' s airfares	244,980.00
IPSOS Limited P.O.BOX 68230-00200 Nairobi	Consultancy to Conduct Survey on the Dynamics and Perception of the Kenyan Youth on Savings for retirement for the RBA	797,088.40
Commissioner for Domestic Taxes Department C/O KRA	RBA -WHT on PA NO. 123028-Andrew Slater invoice	493,165.75
Antony Mbunya Kiarahu C/O RBA	Training Expenses	383,275.00
Lazarus Kisia Keizi C/O RBA	Training Expenses	437,199.00
Commissioner for VAT -KRA	RBA : Risk Based Supervision System	1,149,724.00
Commissioner for DTD -KRA	RBA : Risk Based Supervision System	490,090.00
John Bosco C/O RBA	Workshop Expenses	5,814.00
Edmond Koome Kathurima C/O RBA	Workshop Expenses	33,361.00
IPSOS,Limited P.O Box 68230 00200 Nairobi	Consultancy to Conduct Survey on the Dynamics and perception of the Kenyan Youth on Savings for Retirement Benefit Authority	1,566,691.00
Euro Training Danismanlik LTD. STI	Tuition fee for John Keah, Yvonne Muthwi & John Mutisya paid vide P.A 124491	910,257.00
Attain Enterprise Solutions LTD. P.O Box 18286-00100 Nairobi	Supply installation and commissioning of an Upgrade of the Risk- Based Supervision & ERP System at the RBA	21,934,699.00
Commisioner for VAT. C/O KRA	VAT on Attain Enterprise Solutions	391,691.00
	<b>TOTAL</b>	<b>29,998,337.00</b>