

REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
<b>REPORT</b>	
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**THE AUDITOR-GENERAL**

**ON**

**OFFICE OF THE CONTROLLER OF BUDGET  
STAFF RETIREMENT BENEFITS SCHEME**

**FOR THE YEAR ENDED  
31 DECEMBER, 2019**



**REPUBLIC OF KENYA**  
**OFFICE OF THE CONTROLLER OF BUDGET**

**OFFICE OF THE CONTROLLER OF BUDGET STAFF**  
**RETIREMENT BENEFITS SCHEME**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED 31 DECEMBER 2019**

AS PER INTERNATIONAL ACCOUNTING STANDARDS (IAS)

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019

Table of Contents

Trustees..... 1  
Trustee Profiles.....2  
Establishment, Nature And Status Of The Fund.....4  
Statement of changes in net assets available for benefits for the Year ended 2019..... 6  
The notes on pages 9 to 16 form part of these financial statements.....6  
Statement of net assets available for benefits as at 31<sup>st</sup> December 2019.....7  
Statement of cash flows for the Year ended 31<sup>st</sup> December 2019..... 8  
Notes To The Financial Statements For The Year Ended 31st December 2019..... 9  
Notes explaining the Figures..... 14

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019**

**TRUSTEES**

Macklin Abiniza Ogolla  
Irene Kathambi Arimi  
Joseph Ooko Marembo  
Faith Wanjiku Kimani  
Farhiya Sheikh Ibrahim  
George Leleito Kiptoo

**ADMINISTRATOR**

The Jubilee Insurance Company of Kenya Limited  
Jubilee Insurance House  
Wabera Street  
PO Box 30376  
00100 Nairobi, Kenya

**APPROVED ISSUER**

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00100 Nairobi, Kenya

**INDEPENDENT AUDITOR**

Auditor General  
Office of the Auditor General  
Anniversary Towers  
P.O Bx 30084  
00100 Nairobi, Kenya

**REGISTERED OFFICE**

Office of the Controller of Budget,  
Harambee Avenue, Bima House 12<sup>th</sup> Floor,  
PO Box 35616  
00100 Nairobi, Kenya.

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019

## TRUSTEE PROFILES

### **Mr. Macklin Ogolla – Trustee, Board Chairman**

Mr. Ogolla holds a Master of Business Administration (MBA) in Finance from Moi University and a Bachelor of Science in Actuarial Mathematics from the University of Nairobi. He also holds a Post-graduate Diploma in Finance from Maastricht. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Investment and Financial Analysts (ICIFA). He is also a Board Member of the Public Sector Accounting Standard Board (PSASB).

He has extensive training in Fiscal Decentralization, Debt Sustainability Analysis, and Budget Coding and Classification from the World Bank Institute. Mr. Ogolla has also been trained on International Public Sector Accounting Standards (IFRS & IPSAS) from Public Administration International Sector (PAI) London and received ICT training at Oracle University.

Mr. Ogolla is an experienced Finance expert with a track record of success in developing operational financial management information systems, processes and procedures, managing daily ministry budgeting, financial management and accounting functions. He has worked in various National projects such as World Bank El-Nino and Emergency Drought Recovery Projects and operationalization of the IFMIS at the National Treasury.

Mr. Ogolla has over 28 years' work experience gained from his previous positions as Assistant Director of Budget and Assistant Accountant General at the National Treasury. He also served as Chief Finance Officer in the Ministry of Industrialization as well as a Board Member of the Kenya Industrial Estates Limited. He has successfully completed the Trustee Development Programme Kenya offered by the College of Insurance

### **Ms. Irene Arimi – Trustee, Board Secretary**

Ms. Arimi holds a Master in Business Administration (MBA) in HR from Kenya Methodist University (KeMU). She also holds a Bachelors' degree in HR Management and Higher National Diploma in HR both from the University of South Africa (UNISA) as well as a Certificate in Executive Human Resource Management from the Institute of Human Resource Management.

Ms. Arimi has over 16 years' experience in Human Resource. Previously she worked at the Kenya Methodist University as Administrative Officer – HR, at the William J. Clinton Foundation HIV/AIDS Initiative [CHAI] in Papua New Guinea as HR Coordinator and at Marketing, Travel and Credit Consultancy (MTC), Botswana as Products and Services Manager. She has also worked with Deloitte, South Africa/Botswana as HR Management Assistant. She is a member of the Institute of Human Resources Management (IHRM). She has successfully completed the Trustee Development Programme Kenya offered by the College of Insurance

### **Joseph Marembo - Trustee**

Mr Marembo is a holder of Master of Business Administration (Finance Option), Degree of Bachelor of commerce (Accounting option) at Second Class Honors, Upper Division both from the University of Nairobi, a CPA (K) certified accountant from Strathmore University

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019**

and Computerized Accountant from KCA-University and a member of ICPA (K). He is currently pursuing my PhD in Finance at the University of Nairobi and Certificate of Proficiency - Trustee development program Kenya (TDPK).

**George Leleito - Trustee**

Mr Leleito is an MCSE (Microsoft Certified Solutions Expert - Cloud Platform & Infrastructure Charter Member), with a combined experience of over 10 years in telecommunications and in the Public Finance Sector. He currently serves as a Trustee Member at the Office of the Controller of Budget Staff Retirements Benefits Scheme and has successfully undergone the Trustee Development Program offered by the College of Insurance. He is currently pursuing my MSc in Distributed Computing Technology (Cybersecurity and Forensics) at the University of Nairobi.

**Faith Kimani**

Ms. Faith Kimani is a holder of Bachelors of Commerce (Human Resource Management Option) from University of Nairobi, a diploma holder of Tourism Management from Technical University and certificate of proficiency -Trustee Development Program Kenya (TDPK) from college insurance.

**Fahriya Ibrahim**

Mrs. Ibrahim is a holder of Master of Business Administration (Finance Option) Mount Kenya University Degree of Bachelor of commerce (Finance option) at Second Class Honours, Upper Division from the University of KCA, a CPA part two University and Diploma business management from Kenya institute management - Trustee development program Kenya (TDPK). She is currently pursuing her PhD in Strategic management at Jomo Kenyatta University of Agriculture and Technology.

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019

## ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established, and is governed, by a trust deed dated 28 June, 2017. It is a defined contribution plan and provides, under the rules of the fund, retirement benefits for the staff of Office Of The Controller Of Budget, Kenya. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority. Contributions to the fund by employer is at 20.0% and employees are at 10.0% of the individual members' basic salaries.

### MEMBERSHIP

	2019
At start of year	106
Joiners	1
	<hr/> 107
Less:	
Full Leavers	0
Deferred Members	<hr/> (2)
Total scheme membership	<hr/> 107 <hr/>

### FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 6 shows an increase in the net assets of the fund for the year of KShs 51,630,874.59 and the statement of net assets available for benefits on page 7 shows the fund's net assets KShs 108,894,087.52.

### INVESTMENT OF FUNDS

Under the terms of their appointment Jubilee Financial Services Limited are responsible for the investment of available funds. The overall responsibility for investment and performance lies with the trustees.

The members' funds are invested with The Jubilee Insurance Company of Kenya Limited in an Administered Deposit account and net interest was declared at the rate of 10.0%.

### EXPENSES

The full costs of administration and management of the fund are borne by Office of the controller of Budget.

For the trustees

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(CPA Macklin A. Ogolla), Chairman.

20<sup>th</sup> March, 2020

**OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2019**

**Responsibilities**

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Kenyan Retirement Benefits Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

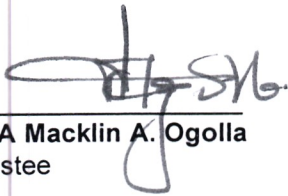
The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Retirement Benefits Act. They also accept responsibility for:


- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances

In preparing the financial statements, the Trustees should assess the Fund's ability to continue as a going concern and disclose, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

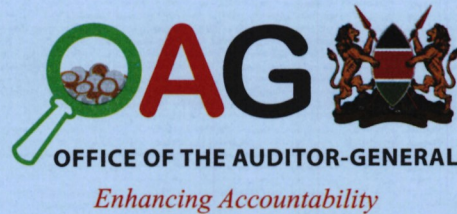
Approved by the board of Trustees on 20<sup>th</sup> March, 2020 and signed on its behalf by:

  
\_\_\_\_\_  
**CPA Macklin A. Ogolla**  
Trustee

  
\_\_\_\_\_  
**Irene Arimi**  
Trustee

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME FOR YEAR ENDED 31 DECEMBER, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Office of the Controller of Budget Staff Retirement Benefits Scheme set out on pages 6 to 15, which comprise the statement of net assets available for benefits as at 31 December, 2019, and the statement of changes in net assets available for benefits, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the net assets available for benefits of Office of the Controller of Budget Staff Retirement Benefits Scheme as at 31 December, 2019, and of its changes in net assets available for benefits and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Retirement Benefits Act, 1997 (Revised 2018), and the Scheme rules.

#### Basis for Qualified Opinion

##### Compliance with Retirement Benefits Act

Section 34(2) of the Retirement Benefits Authority Act, 1997 (Revised 2018), prescribes the format and timelines for the trustees to prepare and present financial statements for audit which comprise; (a) statement of assets and liabilities; (b) statement of income and expenditure; (c) statement of the assets and liabilities of the scheme as on the last day of that year; (d) and such other documents as may be prescribed. However, the financial statements prepared and presented did not contain the statement of assets and liabilities and the statement of income and expenditure.

Consequently, the financial statements as prepared and presented do not comply with the Retirement Benefits Authority Act, 1997 (Revised 2018).

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Lack of an Investment Policy**

Contrary to the provisions of Section 37 of the Retirement Benefit Authority Act, 1997(Revised 2018) and Section 12 (u)(ii) of the Scheme Trust Deed, the Scheme does not have in place an investment policy to guide in making decisions on the development and implementation of investment strategies. The Scheme is, therefore, in breach of the law.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the Retirement Benefits Act 1997 (Revised 2018), I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Scheme, so far as appears from my examination of those records; and,
- iii. The Scheme's financial statements are in agreement with the accounting records.

## **Responsibilities of Management and the Board of Trustees**

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Scheme or to cease operations.

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

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

The Board of Trustees is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Scheme 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI's will always detect a material misstatement 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 going concern 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 Scheme's ability to continue as a going concern. 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 Scheme to cease to continue as a going concern.
- 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 Scheme 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**

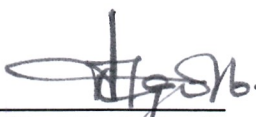
**Nairobi**

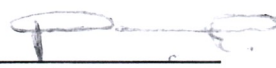
**31 August, 2020**

OFFICE OF THE CONTROLLER OF BUDGET STAFF RETIREMENT BENEFITS SCHEME  
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
 2019

**Statement of changes in net assets available for benefits for  
 the Year ended 31<sup>st</sup> December 2019**

	Notes	2019 Kshs	2018 Kshs
<b>Income from dealings with members</b>			
Employer contributions	6(b)	29,136,783.	36,176,776
Employee contributions	6(b)	14,595,392	18,039,237
Transfers in	6(d)	1,352,362	697,882
		45,084,536	54,913,895
<b>Outgoings from dealings with members</b>			
Withdrawals	6(e)	-62,259	-298,371
<b>Net additions from dealings with members</b>		45,022,278	54,615,523
<b>Returns on investments</b>			
Investment income	6(f)	7,693,502	2,991,859
Less: Fund expense		-1,084,906	-344,169
<b>Net returns on investments</b>		51,630,875	57,263,213
<b>Increase in net assets for the year</b>		51,630,875	57,263,213
Net assets available for benefits at start of year		57,263,213	-
Net assets available for benefits at end of year		108,894,088	57,263,213

  
 CPA Macklin A. Ogolla  
 Trustee


  
 Irene Arimi  
 Trustee

The notes on pages 9 to 16 form part of these financial statements.

**Statement of net assets available for benefits as at 31<sup>st</sup>  
December 2019**

	Notes	2019 Kshs	2018 KShs
<b>Member's Balances (Annex 1&amp; 2)</b>		108,894,088	57,263,213
<b>REPRESENTED BY</b>			
Non-current Assets			
Managed Funds	3	109,978,993	57,607,382
<b>Less: liabilities</b>			
Fund expenses	4	-1,084,906	-344,169
<b>Net assets available for benefits (Annex 1&amp; 2)</b>		108,894,088	57,263,213

  
 CPA Macklin A. Ogolla  
 Trustee

  
 Irene Arimi  
 Trustee


## Statement of cash flows for the Year ended 31<sup>st</sup> December 2019

	<b>2019</b>	<b>2018</b>
	kshs	Kshs
<b>Cash flow from Operating Activities</b>		
Contributions Received	43,732,175	54,216,012
Transfer in	1,352,362	697,882
Tax paid	- 970,379	- 344,169
Withdrawal Benefits Paid	- 62,259	- 298,371
RBA Levy	- 114,526	
<b>Net Cash Generated From Operations</b>	<b>43,937,372</b>	<b>54,271,354</b>
<b>Cash flow from investing Activities</b>		
Investment income Received	7,693,502	2,991,859
<b>Net cash used in investing Activities</b>	<b>7,693,502</b>	<b>2,991,859</b>
<b>Increase/(Decrease) in cash and cash Equivalents</b>	<b>51,630,875</b>	<b>57,263,213</b>
<b>Movement in cash and cash equivalent</b>		
At the start of the year	57,263,213	0
Change during the year	51,630,875	57,263,213
At the end of the year	108,894,088	57,263,213


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**CPA Macklin A. Ogolla**  
 Trustee


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**Irene Arimi**  
 Trustee

The notes on pages 9 to 16 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Retirement Benefits Act 1997 as amended, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarize the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits that fall due after the end of the year.

The financial statements are presented in the functional currency, Kenyan Shillings (KShs). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

### Changes in accounting policy and disclosures

#### (i) *New and amended standards adopted by the Scheme*

The following standards and amendments have been applied by the Scheme:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- **Materiality** – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- **Disaggregation and subtotals** – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- **Notes** – confirmation that the notes do not need to be presented in a particular order.
- **OCI arising from investments accounted for under the equity method** – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

## Notes (continued)

### 1 Summary of significant accounting policies (continued)

#### (ii) *New standards and interpretations not yet adopted (continued)*

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for de recognition
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below

#### (iii) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Fund, except the following set out below

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

## **Summary of significant accounting policies (continued)**

### *(iv) New standards and interpretations not yet adopted (continued)*

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes

The amendment to IAS 12 is effective 1 January 2017

*Disclosure Initiative – Amendments to IAS 7*; Effective 1 January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. Draw down and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a, net debt, reconciliation. However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the fund

## Significant judgement and Sources of estimation of uncertainty

### 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3 Financial risk management objectives and policies

The fund's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the fund does not hedge any risks.

Risk management is carried out by the investment manager under policies and guidelines approved by the trustees.

#### Market risk

##### (i) Credit risk

Credit risk arises from the guaranteed deposit administration fund at The Jubilee Insurance Company Limited and contributions receivable from the employer.

The amount that best represents the fund's maximum exposure to credit risk at 31 December 2019 is made up as follows:

	<b>2019</b>
	<b>Kshs</b>
Administered deposit account	108,894,088

## Notes (continued)

### (ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to meet any probable benefit payments to members of the fund.

All payments are made from deposits managed in a guaranteed fund by The Jubilee Insurance Company of Kenya Limited. The liquidity risk is therefore minimal.

<b>4 Fund expenses</b>	<b>2019 Kshs</b>
Fund expenses	
Tax on interest income	(970,379 )
RBA Levy	(114,526)
	<hr/>
	(1,084,905)
	<hr/>

### **5 Tax status of the Fund**

Office Of The Controller Of Budget Staff Retirement Benefits Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income to the extent allowed under the Finance Act. Investment income arising from the funds relating to excess contribution is subject to tax at the corporate tax rate of 30% .

## Notes explaining the Figures

### 6(a) Administered deposit account

The scheme operates an administered deposit account with The Jubilee Insurance Company of Kenya Limited. Under this arrangement, contributions received are remitted to the Jubilee Insurance Company of Kenya Limited for investment in a variety of investment securities on a pooled basis with funds from other contributing entities. The Jubilee Insurance Company of Kenya Limited pays interest on the funds invested, at the end of each year.

<b>(b). Employee &amp; Employer contributions ( Annex 1,2,3)</b>	<b>2019</b>
	<b>KShs</b>
Employer	29,136,783
Employee	14,595,392
	43,732,175

### (c). Contributions Due.

These are no contribution due.

### (d) Transfers

Transfers are recognised in the period in which members join from other schemes or leave for other schemes.

Transfer values represent the amounts receivable in respect of newly joined members from the provident funds of their previous employers or payable to the provident funds of new employers of members who have left service.

	<b>2019</b>	
	<b>Kshs</b>	
Transfers in:		
<b>Individual transfers in from other schemes</b>		<b>1,352,362</b>
Benefits for Onesmus Mwanzia Mwitwa	711,304	29-Aug-19
Benefits for Onesmus Mwanzia Mwitwa	49,791	17-Jul-19
Benefits for Christine Nyambura Kariuki	591,266	29-Aug-19
Total	1,352,362	

(e) **Benefits paid**

Benefits paid to members withdrawing from the scheme are recognised as liabilities in the period in which they fall due.

NAME	AMOUNT (KSH.)	DATE PAID	REASON FOR WITHDRAWAL
Christine Kariuki	62,258.51	29-10-2019	Employee benefits from previous employer

In response to the payment of Ksh. 62,259 to the said member named Christine Nyambura Kariuki on 29th October, 2019. **See the Attached letters in the Annex** give detailed explanation:

- 1) Letter from Jubilee Insurance to the Trustees.
- 2) Letter from the previous administrator where the funds came from.

(f) **Income from investments**

Interest credited on the deposit administered account is paid to the fund net of administrative expenses. It is accounted for in the period in which it is earned

The scheme earned interest on funds deposited with the Jubilee Insurance Company of Kenya Limited at **10.0%** during the year, after taking into consideration expenses relating to fund management. **(See the Attached Jubilee Insurance Guaranteed Fund Report, in the Annex which shows the market analysis and trends)**

Below is a breakdown of investments in different asset categories:

Investment Category	31st Dec 2018	31 <sup>st</sup> Mar 2019	30 <sup>th</sup> Jun 2019	30 <sup>th</sup> Sep 2019	31st Dec 2019	RBA Limit
	Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
T-bills and T-bonds	74%	74%	77%	80%	81%	90%
Investment Properties	3%	3%	3%	3%	3%	30%
Fixed & Call Deposits	8%	8%	5%	5%	5%	30%
Corporate Bonds	2%	2%	2%	1%	1%	20%
Investment in Quoted Shares	9%	8%	8%	7%	6%	70%
Investment in Unquoted Shares	4%	5%	5%	4%	4%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

**REPORT OF THE AUDITOR**