② DLPS
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② H/C
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12/6.

③ JL
For tabling & referral to relevant committee.
12/6/26

REPUBLIC OF KENYA
THE NATIONAL TREASURY
STATE DEPARTMENT FOR PUBLIC INVESTMENTS AND ASSETS MANAGEMENT

AUDIT REPORT ON VERIFICATION OF LIABILITIES AND EMPLOYEE RELATED OBLIGATIONS FOR CHEMELIL SUGAR COMPANY LIMITED (1965)

THE NATIONAL ASSEMBLY PAPERS LAID
DATE: 30 JUL 2026
DAY: Thurs
TABLED BY: Hon. (Dr.) Robert Pukose, MP
CLERK-AT-THE-TABLE: Modo

REF: SDPIAM/IA/AR/ (12)

NATIONAL ASSEMBLY RECEIVED
10 JUN 2026
CLERK'S OFFICE
P O Box 41842, NAIROBI

APRIL 2026

1. ***BACKGROUND & INTRODUCTION***

NATIONAL ASSEMBLY RECEIVED
11 JUN 2026
DEPUTY CLERK S. KIOKO
P. O. Box 41842 - 00100, NAIROBI

The Principal Secretary, State Department for Agriculture vide letter re: SDPIAM/IA/VOL1(8) dated 19th March 2026 requested the Internal Audit Unit in the State Department for Agriculture to undertake a detailed audit of four sugar companies transiting to private sector lessees namely Nzoia, Chemelil, Muhoroni and SONY sugar companies.

A team of four internal auditors were nominated to undertake the audit at Chemelil Sugar Company. The audit was carried out from 23rd March 2026 to 10th April 2026.

2. *OBJECTIVES*

The general objective of the audit was to validate the liabilities and employee related obligations for Chemelil Sugar Company before leasing to private investors. The specific objectives of the audit were;

- Confirmation and reconciliation of outstanding liabilities
- Identification of any disputed, double or irregular liabilities
- Verification of outstanding salary arrears, redundancy, severance payments, statutory and other deductions
- Confirmation and reconciliation of prepaid sugar sales and advances from customers
- Confirmation of outstanding legal awards, pending litigations and resultant obligations, including contingency provisions.

3. *SCOPE*

The audit exercise was conducted from 23rd March 2026 to 10th April 2026 and covered activities of the period up to the Leasing date on 30th October 2025

Scope limitation

Lack of documentation for verification. We were informed that the new lessee had taken documentation from stores and disposed them off without the consent of the previous management. The documentation was part of verification that was supposed to be availed to the audit team for verification.

4. *SUMMARY OF FINDINGS*

	DETAILS	PRESENTED Amount (Ksh)	VERIFIED Amount (Ksh)	% VERIFIED	NOT VERIFIED (Ksh)	REMARKS	REF
1	General Suppliers, Goods, Services & Prepayment	315,366,251	154,145,466.7	49%	161,199,606	Lack of documentation requested for verification. We were informed the items were disposed of by the Lessee from the Company's stores, hence the Company had to request the suppliers to avail the same	Annex 1 & 2
2	Salary arrears	856,270,738.14	858,475,990.7	100%	0	A correction in the figures relating to the ex-employee balance of **Ksh. 464,360.13**. Initially the amount for ex-employees was reported at **Ksh. 36,726,035.50** and upon reconciliation it was established that the correct figure was **Ksh. 37,190,395.63** A retiree Eric Ongus whose terminal benefits were **Ksh.1,740,892.70** had been excluded from the list of retirees of June 2025. The resultant variance amounted to **Ksh. 2,205,252.83**	Appendix 1- 5
3	Prepaid sugar sales	157,962,563	157,962,563	100%	0	The amount can be considered for payment	Annexe 3
4	Farmers cane supply payments	125,346,534.64	21,139,430.80	17%	104,207,104.64	Considering this area was reviewed by the audit team from the Kenya Sugar Board, their findings can be used to determine the amounts to be paid. This is in line with the current audit best practice of applying combined assurance	Annexe 4- 10
5	Additional retention from court case	727,615.8	727,615.80	100%		Subject to confirmation of the suit details and retention balances, the liability can be considered for inclusion as part of the pending bills. The amount can be considered for payment	
6	Legal Expenses	301,898,408	0	0%	301,898,408	It was not possible to validate the cases and the status of payments arising from the cases due to time constraints, lack of case files and unavailability of the legal officer to provide information on the specific cases	Annexe 11

						The issue of Legal expenses should be reviewed by the Ministerial Legal team to determine how much was payable and issue further directions on the same.	
7	Sugar Development levy	474,109,867.13	474,109,867	100%	0	The liability of Ksh474,109,867.13 is deemed payable to The Kenya Sugar Board.	
8	Value added tax (VAT)	168,809,692	168,809,692	100%	0	A reconciliation should be done by the Company and KRA to come up with the payable figure.	
9	Pay as You Earn (PAYE)	103,177,545	103,177,545	100%	0	A reconciliation should be carried out by KRA and the Company to come up with the correct amount payable as PAYE incorporating the figures from the latest payroll (October 2025).	
10	Withholding tax	44,270	44,270	100%	0	A reconciliation should be carried out by KRA and the Company to come up with the payable Withholding VAT.	
11	Withholding VAT	56,662	56,662	100%	0	A reconciliation should be carried out by KRA and the Company to come up with the payable Withholding VAT.	
12	National Industrial Training Authority (NITA)	1,252,700	1,252,700	100%	0	According to the Duplum Principle, a legal concept which limits how much interest can be charged on a loan, It is practically impossible to have interest due being more than the principal amount. According to the pending bills schedule provided, the Company owed NITA levies amounting to Ksh1,252,700 as the principal amount as at October 2025.	
13	National Social Security Fund (NSSF DUES)	193,184,835	193,184,835	100%	0	An assessment done by NSSF as at October 2015 had a total amount of Ksh193,184,835 for Principal, penalties and interest thereby agreeing with the company's figures. The amount should be considered for payment	
14	Directors Allowance	1,608,070.00	144,250	8.9%	1,463,820	The amount verified may be considered for payment	
15	CBA Arrears for contracted union members	20,052,210.40	18,250,642.60	100%	0	A downward adjustment of **Kshs. 1,801,567.80** was made. The verified amount of **Ksh18,250,642.60** can be	

						considered for payment.	
16	Rent Refunds Dues Ksh. 4,704,449.97	4,699,049.97	4,704,449.97	100%	0	There was a casting error of **Ksh. 5,400**. The amount can be considered for payment	
17	House allowance payment dues (15% of basic salary))	10,561,122.48	10,561,122.48	100%	0	The amount may be considered for payment	Annexe 13
18	Jumuika Sacco Dues	38,233,862	38,233,862	100%	0	The amount may be considered for payment	
19	Imarisha Sacco Dues	75,100	75,100	100%	0	The amount may be considered for payment	
20	Pensioners Dues (Permanent)	248,797,185.90	248,797,185.90	100%	0	The amount may be considered for payment	
21	Self Help Groups	13,134,242.38	13,134,242.38	100%	0	The amount may be considered for payment	Annexe 14
22	Helb Dues	2,005, 468.95	2,005, 468.95	100%	0	The amount may be considered for payment	
23	Union Dues	10,150,876	10,150,876	100%	0	There should be a reconciliation between the Kenya Sugar Board and Chemelil Sugar Company to establish what the board paid as union dues and reconcile the two figures to determine the amount payable	
24	Chui club dues	265,449	265,449	100%	0	The amount may be considered for payment	
25	Chemelil Club Dues	222,455.75	222,455.75	100%	0	The amount may be considered for payment	
26	Central Organisation of Trade Unions (COTU)	4,900,840	4,900,840	100%	0	The amount may be considered for payment	
27	Molasses Levy Dues	2,502,197	2,502,197	100%	0	The amount may be considered for payment	
28	Post Employment Benefits	1,179,620,637.57	1,179,620,637.57	100%	0	The board should determine the correct formular to use in calculating severance pay and service pay. We recommend that the amount for post-employment benefit be considered for payment depending on the correct formular determined by the board.	Appendix 7 - 11
		4,233,030,980.16	**3,664,649,948.65**		**568,381,031.51**		

5.

6. *FINDINGS*

5.1 General Suppliers, Goods, Services & Prepayments

I. Verified Goods and Services Ksh154,166,645 (49%)

A total of **Ksh. 315,366,251** had been presented as the total pending bill. Out of this amount, the team verified a total of **Ksh. 128,305,931.30** of the total goods and services bringing a total of **Ksh154,166,645.8** as the total verified goods and services including the previous audit verification on the same of **Ksh. 25,839,535.40**

The above represented a 49% as total verified figure with a remaining balance of **Ksh. 161,220,784.30** representing a 51% balance of unverified pending bill. This was as a result of:

1. Lack of documentation requested for verification. We were informed the items were disposed of by the Lessee from the Company's stores, hence the Company had to request the suppliers to avail the same

2. Inadequate timeframe to verify the all the documents related to general suppliers for goods and services, since they were being brought in by suppliers as the verification was still ongoing. ***(Refer Annexe 1)***

Recommendations

The verified goods and services may be considered for payment. We further recommend that additional time be granted to complete the work since not all the documents were availed at the time of audit verification.

II. *Unsupported Goods and Services Ksh. 35,983,485.4*

We established that there were documents for goods and services amounting to **Ksh. 35,983,485.4** which had been presented for verification but lacked sufficient documentation. The summary is outlined in Annexe 2.

Recommendation

The payments to be sufficiently supported before they can be verified and considered for payment.

5.2 Salary Arrears Ksh. 858,475,988.69

It was established that the company had reported **Ksh. 856,270,738.14** as salary arrears and retirement benefits to the pending bill committee of which **Ksh.**

639,896,123 was for employee's salary arrears for upto June 2025 and **Ksh. 216,374,614.88** for retirement benefits and dues for ex-employees.

Verification of the company ledger managed through the Sun System, payrolls for the management staff, senior staff, junior staff and unionisable employees, the salary arrears and other benefits amounted to **Ksh858,475,990.97** giving a variance of **Ksh. 2,205,252.83** which was as a result of;

a. A correction in the figures relating to the ex-employee balance of **Ksh464,360.13**. Initially the amount for ex-employees was reported at **Ksh. 36,726,035.50** and upon reconciliation it was established that the correct figure was **Ksh. 37,190,395.63** leading to an undercast of **Ksh. 464,360.13.**

b. A retiree Eric Ongus Ongus whose terminal benefits were **Ksh1,740,892.70** had been excluded from the list of retirees of June 2025.

On verification of human resource documents, company ledger and payrolls we established that the company owed 1,033 employees salary arrears of up to October 2025, 51 ex-employees were owed their dues and retirement benefits, 244 employees who retired between 2015 to 2023 June, 39 employees who retired between August 2023 to January 2025 and 15 employees who retired between February 2025 to October 2025. **See Table Below** and Attachment 1 (Separate schedule too bulky for printing).

DETAILS	NO. OF EMPLOYEES	AMOUNT	REMARKS
Arrears up to Oct. 2025	1033	545,033,265.13	See Appendix 1
Ex – Employees	51	37,190,395.63	See Appendix 2
Retirees benefit (2015 – 2023 June)	244	219,058,044.56	See Appendix 3
Retirees benefit (Aug 2023 – Jan 2025)	39	31,229,860.35	See Appendix 4
Retirees benefit (Feb 2025 – Oct 2025)	15	25,964,423.02	See Appendix 5
TOTAL		**858,475,988.69**	

Recommendation

The amount of **Ksh. 858,475,988.69** may be considered for payment.

5.3 Prepaid Sugar Sales - Ksh.157,962,563.00

The Company submitted a schedule of prepaid sugar sales consisting of 21 customers who were owed a total of **Ksh157,962,563.** We verified the following supporting documents provided for the prepaid sales:

(i) Letters of offer for customers prepaid sales.

(ii) Sugar purchase/deposit authorization forms.

(iii) Cash receipts for payments.

(iv) Offer price approvals by the Sugar Pricing Committee

(v) Ex-factory price approvals by the Sugar Pricing Committee

(vi) Sugar Dispatch delivery Notes.

In addition, we reviewed bank statements to confirm that customers payments were received in the Company's bank account. A review of documents provided established the following in regard to prepaid sales:

(i) All customers with outstanding prepaid sales had offer letters to make the prepayments.

(ii) All customers prepaid sales had been authorized.

(iii) All outstanding prepaid sales customers had been issued with a cash receipt to recognize the payments.

(iv) All prepaid sales customers had their offer prices approved by the Sugar Pricing Committee

(v) The customer's outstanding prepaid sales were agreeing with amounts paid less the value of sugar dispatched as per dispatch delivery notes provided to the audit team.

(vi) We confirmed receipt of all the customers prepaid sales amounts in the company's bank statement for KCB Bank Account no. 1103790307. The details of the verified prepaid sugar sales is attached as **Annexe 3.**

Recommendation

The prepaid sugar sales amount of **Ksh. 157,962,563** may be considered for payment.

5.4 Farmers Cane Supply Payments – Ksh.104,207,103.84

The summary of the payables based on the data provided to the committee amounted to **Ksh.125,346,534.64**. These liabilities had been reviewed extensively by the auditors from the Kenya Sugar Board. From this audit and analysis, payments towards cane proceeds were made by Kenya Sugar Board totaling **Ksh. 21,139,430.80**. The balance (payable to Chemelil Sugar company) was **Ksh. 47,004,990.90**. We could not however not obtain a schedule of the specific payments made by the board so at confirm the assertions from the company.

The summary of the liabilities as provided by the company were as follows;

CSC SUMMARY	AMOUNT (Ksh)	PAID (Ksh)	BALANCE (Ksh)	Remarks
CANE PROCEEDS	68,144,421.70	21,139,430.80	47,004,990.90	See Annexe 4
CANE PROCEED RETENTION	1,068,188.45		1,068,188.45	See Annexe 5
CANE CUTTING	538,549.50		538,549.50	See Annexe 6
CROP MAINTENANCE	499,529.00		499,529.00	See Annexe 7
CANE CUTTERS TRANSPORT	440,000.00		440,000.00	See Annexe 8
CANE TRANSPORTERS	3,176,524.44		3,176,524.44	See Annexe 9
CESS PAYABLES	51,479,321.55		51,479,321.55	See Annexe 10
TOTAL	**125,346,534.64**	**21,139,430.80**	**104,207,103.84**	

Recommendation

Considering this area was reviewed by the audit team from the Kenya Sugar Board, their findings can be used to determine the amounts to be paid. This is in line with the current audit best practice of applying combined assurance to avoid duplication of efforts.

5.5 Additional Retention from Court Cases- Ksh727,615.8

The High court at Eldoret on 27th May 2025 issued a confirmation of grant in relation to the estate of Moses Kipkolum Kogo (deceased) under case number E126 of 2012 where among other things, the sharing of sugarcane proceeds held at Chemelil sugar company was determined. The net retention amount under Rose Jepkongai Kogo of **Ksh. 512,690.70** was to be shared to the beneficiaries as per the schedule given by the court. This case was not included in the previous retention balances given to the committee.

Further, a case no E88 of 2021 of Lee Omanje vs Kennedy Otieno Ondego, David Okore and Chemelil Sugar Company was awarded **Ksh. 214,925.80** hence making a total of **Ksh. 727,615**.

Recommendation

Subject to confirmation of the suit details and retention balances, the liabilities may be considered for inclusion as part of the pending bills.

5.6 Legal Expenses- Ksh. 301,898,408

The amount indicated as legal expenses in the committee report was **Ksh. 21,716,442.40**. From the tabulation of the legal cases, the balance of the legal claims payable arising from the determined cases amounted to **Ksh.16,850,405**. Out of the 53 legal cases, 41 (77%) related to unlawful dismissal. Only 9 out of the 53 cases had been determined as per the schedule provided.

It was however not possible to validate the cases and the status of payments arising from the cases due to time constraints and unavailability of the legal officer to provide information on the specific cases. A schedule of the determined legal cases with amounts totaling to **Ksh. 16,850,405** is attached as Annexe 15.

Further, from the schedule of legal matters provided, the estimated total liability amounted to **Ksh. 47,586,149**. Since the cases were yet to be determined, the amount can only be provided as contingent liabilities. The schedule of pending legal matters is attached as **Annexe 11**.

The amount of legal expenses ledger balance as at 31st October 2025 was **Ksh. 301,898,408**. **(Appendix 2)**

It was however not possible to validate the cases and the status of payments arising from the cases due to time constraints, lack of case files and unavailability of the legal officer to provide information on the specific cases.

Recommendation

The issue of Legal expenses can be reviewed by the Ministerial Legal team to determine how much was payable and issue further directions on the same.

5.7 Sugar Development Levy – Ksh. 474,109,867.13

The amount of **Ksh. 474,109,867.13** was validated through an independent confirmation by the computation by the Agriculture & Food Authority for the period ended 30th June 2016. The amount is therefore deemed payable.

Recommendation

The liability of **Ksh. 474,109,867.13** is deemed payable to The Kenya Sugar Board.

5.8 Value Added Tax (VAT) – Ksh.168,809,692

According to the KRA demand note Ref PIN: DRLM/LTO Debt/2025/0119 dated 27th August 2025, Chemelil Sugar Company owed the Kenya Revenue Authority an amount of **Ksh.168,809,692.** The amount was in respect of Principal VAT, Interest and Penalties as at 25th September 2025. **Ksh.141,213,739** was for principal VAT and while penalty and interest was **Ksh. 27,595,953.55** all totaling to an amount of **Ksh.168,809,692.68**

However, the Company's ledger for the period indicated a balance of **Ksh.141,862,418.89** as the Principal and Interest of **Ksh. 27,595,959.55**.

Recommendation

A reconciliation should be carried out between the Company and Kenya Revenue Authority to determine the correct amount payable or for waiver application if necessary.

5.9 Pay As You Earn (PAYE) – Ksh.103,177,545

According to the Kenya Revenue Authority (KRA) demand notice DRLM/LTO Debt/2025/0119 dated 27th August 2025, the company owed KRA in respect of PAYE an amount of **Ksh. 84,264,927.55** in respect of PAYE.

However, an additional of 3 months to October 2025 during leasing of the company was **Ksh. 18,912,618** as reflected in the ledger schedule, totaling to **Ksh.113,177,027.23**.

	Principal	**Penalty**	**Interest**	**Payable**
	67,607,437.50	8,363,783.85	8,293,706.24	84,264,927.59
	August 2025			6,403,529
	September 2025			6,266,198
	October 2025			6,242,891
			TOTAL	**103,177,545.59**

Recommendation
A reconciliation should be carried out between the Company and Kenya Revenue Authority to determine the correct amount payable or for waiver application if necessary.

5.10 Withholding Tax- Ksh. 44,270

According to the schedule provided, the Company owed KRA in respect of Withholding Tax VAT an amount of **Ksh. 244,089.70**

However, KRA's assessment as per demand notice ref PIN: DRLM/LTO Debt/2025/0119 issued on 27th August 2025 amounted to **Ksh 38,259** for penalties and **Ksh6,014.00** for interest making a total of **Ksh. 44,270.**

Recommendation
A reconciliation should be carried out by KRA and the Company to come up with the payable Withholding Tax.

5.11 Withholding VAT- Ksh.56,662

According to the schedule provided, the Company owed KRA in respect of Withholding Tax VAT an amount of **Ksh.1,033,469.91**

However, KRA's assessment as per demand notice ref PIN: DRLM/LTO Debt/2025/0119 issued on 27th August 2025 amounted to **Ksh. 52,727.00** for penalties and **Ksh. 3,939.00** for interest making a total of **Ksh. 56,662.**

Recommendation
A reconciliation should be carried out by KRA and the Company to come up with the payable Withholding VAT.

5.12 National Industrial Training Authority (NITA) Levy – Ksh. 1,252,700

According to the pending bills schedule provided, the Company owed NITA levies amounting to **Ksh.1,252,700** as the principal amount as at October 2025.

		Amount (Ksh.)
	Reported amount	363,000
	Amount as per the Company's ledger	1,252,700
	Outstanding Levy Arrears and Penalty	9,585,567

From the above, the levy arrears and penalty far exceed the principal amount.

Recommendation

There should an engagement between the company and NITA to reconcile the amount and arrive at the payable amount.

5.13 National Social Security Fund (NSSF) – Ksh. 193,184,835

According to the Schedule provided, the Company owed the National Social Security Fund a total of **Ksh.193,184,835.00** in form of principal and penalties.

An assessment done by NSSF as at October 2025 had a total amount of **Ksh193,184,835** for Principal, penalties and interest thereby agreeing with the company's figures as shown below.

	Amount (Ksh)
Standard Amount	69,106,091
Outstanding Penalty	61,066,573
TOTAL	130,172,664
Add Accrued penalty	63,012,171
GRAND TOTAL	**193,184,835**

Recommendation

The amount of **Ksh. 193,184,835** may be considered for payment

5.14 Directors Allowance- Ksh.144,250

The Directors' allowances of **Ksh. 1,608,070.00** could not be fully verified by the Internal Auditors. Only **Kshs.144,250** that related to the Handing over Ceremony held on 10th May 2025 was confirmed. Of the 24 members listed for allowance payments, supporting documentation was provided for 11 claims through cheque payment vouchers, as detailed in the attached table.

S/No	DIRECTORS ALLOWANCE	*AMOUNT (KSHS)*	*AMOUNT on CHEQUE PAYMENT VOUCHER*
1	JOHN NYAMBOK	18,250.00	[illegible]
2	SAMWEL OGOLLA BONYO	15,000.00	14,000.00
3	MARY CHEPKEMBOI NGENY	15,000.00	14,000.00
4	HENRY NTONGAI MITU	15,000.00	14,000.00
5	JOHN KIPYEGON CHESIROR	15,000.00	14,000.00
6	ENRICAH APIYO DULO	15,000.00	14,000.00
7	DAVID KITUR KIPLAGAT	15,000.00	14,000.00

8	GEORGE ACHIENG OMBUA	15,000.00	14,000.00
9	PHILIP ODOYO ODINDO	15,000.00	14,000.00
10	JEPKEMOI YEGON	15,000.00	Not seen
11	PROTUS CHERUIYOT SIGEI	15,000.00	14,000.00
	TOTAL	***168,250.00***	**144,250.00**

Recommendation
The verified amount of **Ksh 144,250.00** may be considered for payment.

5.15 Cba Arrears for Contracted Union Members – Ksh.18,250,642.60.

We established that there was a CBA between the Sugar Employers Group of The Federation of Kenya Employers and Kenya Union of Sugar Plantation and Allied Workers for the period 1st May, 2021 to April, 2025 which was signed on 16th Day of August, 2024. The implementation on this CBA at Chemelil Sugar Company commenced in November, 2024.

In reference to the internal memos from the Ag. Head of Human Resource to Managing Director of Ref: CSCL/HRD/HHR/MMD/005 dated 18th November, 2024 and Ref: CSCL/HRD/HOHR/MD/05/25 implementation of this CBA commenced in the month of November, 2024 and the arrears that had not been paid to employees was only applicable from December, 2023. This mend that employees were owed CBA arrears for 11 months which was to be paid in 5 monthly instalments effective from January, 2025

As per the schedule submitted by the company it was noted that 350 employees were owed arrears for 11 months totaling **Kshs. 18,250,642.60**.

In comparison, the initial figure submitted to the pending bill committee was **Kshs. 20,052,210.40**, a variance of **Kshs. 1,801,567.80**. The result of the variance was because the initial schedule of CBA arrears submitted included 20 employees who were not on payroll during the payment period under review.

When compiling the initial schedule, it was also noted that;

- 219 employees had their arrears correctly calculated.
- 120 employees recorded zero salary in December 2023.
- 9 employees joined the payroll in January 2024, thereby reducing their arrears entitlement by one month.

- 1 joined in February, 2024, thereby reducing his arrears entitlement by two months.
- 1 joined in February, March 2024, thereby reducing his arrears entitlement by three months.

As a result of the above adjustments, the total arrears provision was reduced from **Kshs. 20,052,210.40** to **Kshs. 18,250,642.60.**

Recommendation
The verified amount of **Ksh 18,250,642.60** may be considered for payment.

5.16 Rent Refund Ksh. 4,704,449.97

We reviewed the rent refund due to CBA employees for the period December 2023 to July 2025, covering a total of 20 months. Upon recalculation, they confirmed that the previously reported amount of **Kshs. 4,699,049.97** was adjusted upward to **Kshs. 4,704,449.97**. The resulting variance of **Ksh. 5,400** was as a result of a casting error in the initial computation, the error has since been rectified.

Recommendation
The amount of **Ksh. 4,704,449.97** can be considered for payment.

5.17 House Allowance Payment (15% of Basic Salary)- Ksh.10,561,122.48

We reviewed the house allowance payable to CBA employees for the period December 2023 to July 2025, covering a total of 20 months. Following recalculation, they confirmed that the previously reported figure of **Kshs.10,668,537.45.**

It was established that staff no C0523 had already been refunded the rent and in accordance with CBA provisions, such an employee was not eligible for house allowance, as a result a downward adjustment of **Ksh.107,414.97** was done resulting to a figure of **Ksh.10,561,122.48**. **(Annexe 13)**

Recommendation
The amount of **Ksh. 10,561,122.48** may be considered for payment.

5.18 Jumuika Sacco Dues – Ksh.38,233,862

We established from the Company ledgers that a total of **Ksh. 38,2,333,253.69** unremitted dues were owed to the SACCO as at October 2025 during leasing of the Company and a reported figure of **Ksh. 35,333,253.69** as at July 2025.

The variance accrued as a result of systems breakdown and non-posting of accruals up to October 2025 when leasing was done.

		Amount (Ksh)	Amount (Ksh)
	Reported figure		38,233,253
	Company Ledgers up to July 2025	35,333,253	
	August, September and October 2025	2900,000	
	Total	**38,233,253**	**38,233,253**

Recommendation
The amount of **Ksh. 38,233,253** may be considered for payment

5.19 Imarisha Sacco-Ksh. 75,100

According to the Company ledger as at October 2025, **Ksh. 75,100** dues were owed to Imarisha.

However as per the Ledger, **Ksh. 44,500** and **Ksh. 27,600** was reported as the amount due as at April 2025, further there was a cheque undercast of **Ksh. 3,000** in June 2025 totaling to **Ksh. 75,100.**

Recommendation
The amount of **Ksh. 75,100** may be considered for payment

5.20 Pensioners Dues (Permanent) Ksh. 248,797,185.00

We established from the company ledgers that **Ksh. 248,797,185.90** was due for payment for permanent pensioners as at October 2025. The same was reflected in the reported amounts and an updated statement from CPF Financial Services which calculated the amount as below:

	Amount (Ksh.)
Principal Contributions	112,306,544.00
Accrued Interest	136,490,641.00

TOTAL	248,797,185.00

Recommendation
The amount of **Ksh. 248,797,185** may be considered for payment.

5.21 Self Help Groups- Ksh.13,194,242.38

From the Company's ledgers, it was established that 53 self-help groups were owed **Ksh.13,194,242.38 (See Annexe 14).** The figure remained unchanged from the amount by the transition committee, and hence there was no variance.

Recommendation
The amount of **Ksh. 13,194,242.38** may be considered for payment.

5.22 Higher Education Loans Board (HELB)- Ksh. 2,005,468.95

Verification of the Company ledger indicated a figure of **Ksh.1,701,693.95** as at July 2025. There was an additional of **Ksh.303,775** representing August, September and October 2025 when the leasing was done hence a total of **Ksh. 2,005,468.95**

	Amount (Ksh)
Amount as per ledgers up to July 2025	1,701,693.95
Add August, September and October 2025 dues	303,775
TOTAL	**2,005,468**

Recommendation
The amount of **Ksh. 2,005,468** as at October 2025 may be considered for payment.

5.23 Union Dues-Ksh.10,150,876.63

We established that **Ksh.10,150, 876.63** had been reported as union dues up to July 2025. However, a review of the Company's' ledger showed a balance **Ksh.12,393,824,** representing a variance of **Ksh. 2,242,948.89.** We were not provided with evidence of amount paid by the Kenya Sugar Board in regard to the Union dues.

	Amount (Ksh)

Reported	10,150,876.63
Ledgers	12,393,824
Variance	*2,242,948.89*

Recommendation

There should be a reconciliation between the Kenya Sugar Board and Chemelil Sugar Company to establish what the board paid as union dues and reconcile the two figures to determine the amount payable.

5.24 Chui Club Dues Ksh. 265,349

We established that **Ksh265,349** was reported as amounts owed to Chui Club which is a Members Club for Junior staff of the Company. A review of the company's ledger revealed the same amount was owed to the club

Recommendation

The amount of **Ksh. 265,349** may be considered for payment

5.25 Chemelil Club Dues- Ksh. 222,455.75

We established that **Ksh. 222,455** was owed to Chemelil Club, which is a member's club for Senior staff of the Company. Review of the Company's ledger revealed the same amount was owed to the club.

Recommendation

The amount of **Ksh. 222,455.75** may be considered for payment

5.26 Central Organization for Trade Unions (COTU) KSH. 4,900,840

We established that **Ksh. 4,900,840** was owed to Central Organization for Trade Unions (COTU). **Ksh. 4,618,840** was reported as the amount due as at July 2025, however a review of the Company's ledger revealed that there was an additional of **Ksh. 282,000** representing August, September and October 2025 when Leasing of the Company was done, totaling to **Ksh. 4,900,840.**

Recommendation

The amount of **Ksh. 4,900,840** may be considered for payment.

5.27 Molasses Levy Dues Ksh. 2,502,197.20

We established from the Company's ledgers that **Ksh. 2,502,197.20** had been reported as at July 2025 as the Molasses Levy owed to the Kenya Sugar Board. The amount was verified from the Companies ledgers

Recommendation

The amount may be considered for payment

5.28 Post Employment Benefit Ksh.1,179,620,637.57

There was no reported figure to the pending bill committee for the post-employment benefits. We established that post-employment benefits for employees rendered redundant comprised of Severance pay, Service pay, Accrued leave, Gratuity and Relocation allowance.

In computing the severance pay and service pay for employees rendered redundant we established that the formula used was as per internal memo from the Head of Human Resource Chemelil Sugar company of **REF: CSLC/HRD/HOHR/HOFIN/317 dated 31st October 2025**.

Formular for Severance pay $\frac{\text{No. of years x Basic salary x 30days}}{21.67}$

Formular for Service pay $\frac{\text{No. of years x Basic salary x 30days}}{21.67}$

Based on the above formula it was established that Service pay, Severance pay, Gratuity and Accrued leave for staff at management level under permanent terms amounted to **Ksh. 434,784,179.43, see appendix 7** and **Ksh. 562,104,317.81** for permanent Unionisable employees. **See appendix 8**

Further, Severance, Gratuity and Accrued leave for staff at management level employed under contract amounted to **Ksh33,323,211.40, see appendix 9** and **Ksh109,295,835.09** for unionisable employees employed under contract. **See appendix 10**

Relocation Allowance for employees who were rendered redundant as at October 2025, was **Ksh40,113,093.84. see appendix 11**

The above post-employment benefits to employees rendered redundant amounted to **Ksh1,179,620,637.57.**

However, we also observed that there was a circular issued by The Principal Secretary for The Ministry of Agriculture and Livestock of Ref No:

MOA/CORP/11/23/VOL.IV dated 23rd October, 2025 giving direction were applicable that;

i. Severance Pay should be computed at the rate of 30 days pay for every completed year of service.

ii. Service Pay should be computed at the rate of 30 days pay for every completed year of service

In considering the directive by The Principal Secretary we observed that the post-employment benefits amount to **Ksh. 891,081,774.60**

DETAILS	AMOUNT AS PER PS DIRECTIVE	AMOUNT AS PER THE COMPANY POLICY	VARIANCE
1. Permanent staff final dues:			
a) Service pay/severance/gratuity/accrued leave (Management)	337,498,405.80	434,784,179.43	97,285,773.63
b) Service pay/severance/accrued leave (Union)	407,035,428.02	562,104,317.81	155,068,889.80
2. Contract staff final due:			
a) Service pay/severance/gratuity/accrued leave (Management)	25,755,462.14	33,323,211.40	7,567,749.26
b) Service pay/severance/accrued leave (Union)	80,679,384.74	109,295,835.09	28,616,450.35
	850,968,680.70	1,139507,543.73	
3. Relocation Allowance	40,113,093.84	40,113,093.84	0
	891,081,774.60	**1,179,620,637.60**	**288,538,862.98**

Recommendation

Applying the PS circular, **Ksh. 891,081,774.60** is considered payable after confirming the computation and formula. However, there is likely to be legal challenges from the employees if this formula is adopted since it will lead to a reduction of their dues by the variance of **Ksh. 288,538,862.98**. We therefore recommend further engagement with the leadership of the trade unions to reach a consensus before the payment is effected.

7. *CONCLUSION*

Based on our audit work performed and subject to our findings, the exercise was hampered by time limitation and availability of data and as a result the full scope of the assignment could not be achieved.

The Audit Team

Name	Role	Signature
John O. Matagaro	Team Leader	
Dennis N Munyi	Team Member	
Evans O Odego	Team Member	
Crystagel Mutheu Moses	Team Member	

6/4/2026