Approved
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23/08/23

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

SECOND REPORT

ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE PARLIAMENTARY MORTGAGE SCHEME FUND, PARLIAMENTARY CAR LOAN SCHEME FUND AND PARLIAMENTARY CATERING FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 24 AUG 2023
DAY: THUR
TABLED BY: HON FATUMA MOHAMMED (CHAIRPERSON)
CLERK-AT THE TABLE: ANNE SHIBUKO

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

August, 2023

CHAIRPERSON'S FOREWORD

Hon. Speaker, on behalf of the Special Funds Accounts Committee and under Standing Order 199, it is my pleasant duty and honor to present to the House the report of the Committee on the audited financial statements for:

1) Parliamentary Mortgage Scheme Fund for the financial years 2020/2021 and 2021/2022
2) Parliamentary Car Loan Scheme Fund for the financial years 2020/2021 and 2021/2022
3) Parliamentary Catering Fund for the financial years 2020/2021 and 2021/2022

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 of the CoK provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfilment of these constitutional provisions, the National Assembly established various Committees to examine reports of the Auditor-General to ascertain whether public funds are utilized in a lawful, authorized, effective, efficient, economical, and transparent manner. The Special Funds Accounts Committee, which was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders, is one of these Committees.

The Committee received oral and written submissions from Mr. Samuel Njoroge, the Clerk of the National Assembly which formed the basis of its observations, findings, and recommendations. These are also contained in the Minutes and Hansard Reports of Committee proceedings.

Hon. Speaker, I wish to express appreciation to the Honourable Members of the Committee, the Office of the Speaker, and the Clerk of the National Assembly, the Parliamentary Liaison Offices of the Auditor-General and the National Treasury and the Committee Secretariat for facilitating the Committee in the production of this report.

HON. FATUMA ZAINAB MOHAMMED, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

LIST OF ABBREVIATIONS AND ACRONYMS

CoK	-	Constitution of Kenya, 2010
CRA	-	Commission on Revenue Allocation
FY	-	Financial Year
MDAs	-	Ministries, Departments and Agencies
PFM	-	Public Finance Management
OAG	-	Office of the Auditor-General
LPO	-	Local Purchase Order
CRB	-	Credit Reference Bureau
PSASB	-	Public Sector Accounting Standards Board
EACC	-	Ethics and Anti-Corruption Commission

1. PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1) The Special Funds Accounts Committee is one of the six Watchdog Committees of the National Assembly established under Standing Order 205. It is mandated to examine the reports of the Auditor General on the following:
    - i) *Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee)*
    - ii) *The Equalization Fund;*
    - iii) *The Equalization Fund Advisory Board;*
    - iv) *The Political Parties Fund; and*
    - v) *Other funds as may be* communicated by the Honorable Speaker

1.2 Committee Membership

2) The Committee comprises the following members:

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

1.3 Committee Secretariat

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

S/N	NAME	DESIGNATION
1	Mr. Leonard Machira	Senior Clerk Assistant
2.	Ms. Comfort Achieng	Clerk Assistant III
3	Mr. Silvanus Makau	Clerk Assistant III
4	Mr. Robert Ngetich	Fiscal Analyst II
5	Ms. Judith Kanyoko	Legal Counsel II
6	Ms. Bevaline Mosoti	Research Officer III
7	Mr. Geoffrey Kwatemba	Media Relations Officer III
8	Ms. Pauline Sifuna	Hansard Officer III
9	Ms. Maryam Gabow	Public Communications Officer III
10	Mr. Peter Mutethia	Hansard Audio Officer III
11	Mr. Benard Omondi	Serjeant At Arms

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

4) During the examination of the audited reports, the Committee made the following general observations and recommendations:

a. Recovery of non-performing receivables

5. The Committee observed that the Parliamentary Mortgage Fund had non-performing receivables of Kshs.47,690,230 as at the end of FY 2020/21 and Kshs.35,057,050 as at the end of FY 2021/22. The Committee noted that the loans were secured through title deeds and the Fund is in the process of recovering the outstanding loans balances through auction of property of the defaulters. However, the Committee noted that Hon Gideon Mwiti Irea who owed the Fund Ksh.4,919,665 has since died.

6. The Committee recommends that:
   i) **Within three (3) months upon the adoption of this report, the Accounting Officer should seek approval to write -off the outstanding loan for the late Hon Gideon Mwiti Irea (Ksh.4,919,665) in accordance with Section 69 of the PFM Act, 2012 and Regulation 148 of the Public Finance Management (National Government) Regulations, 2015.**
   ii) **The Accounting Officer should continue with the recovery process of the non-performing loans.**
   iii) **Within six (6) months of the adoption of this report, the Accounting Officer should submit the status report of the non-performing loans and recoveries made to the National Assembly and the Office of the Auditor - General for audit verification.**

b. Lack of statement of comparison of budgets and actual amounts

7. The Public Sector Accounting Standards Board (PSASB) guidelines and template requires public entities to provide a statement of comparison of budget and actual amounts. The Committee observed that the all the three Funds lacked statement of comparison of budgets and actual amounts in the FY 2020/21. However, the Committee notes that the Funds prepared the statement of comparisons in the following year 2021/2022.

8. **The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012 and Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

c. **Low Capitation of the Parliamentary Mortgage Scheme Fund**

9. The Committee observed that the current capital is not sufficient to meet the loan demands of Members of Parliament who have constricted payment period of a term of Parliament which is five (5) years. The Fund must wait for loan repayments to be able to provide loans for those on the waiting-list.

10. The Committee recommends that:

    i) **The National Treasury should allocate the Parliamentary Mortgage Fund an additional Ksh.2.0 billion. This amount should be allocated increasingly for three financial years up to 2026/2027 and will facilitate efficient issuance of mortgage facilities to Members and staff of Parliament.**

3.0 THE REPORT OF THE AUDITOR GENERAL ON THE PARLIAMENTARY MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

11. Mr. Samuel Njoroge, the Clerk of the National Assembly, appeared before the Committee on 20th June, 2023 to adduce evidence on the audited financial statements for the **Parliamentary Mortgage Scheme Fund** for the Financial Years 2020/2021 and 2021 /2022. The minutes of the Committee sitting, and submissions tabled by the Accounting Officer are annexed to this report. The Accounting officer was accompanied by:

    1. Ms. Serah Kioko - Deputy Clerk, National Assembly
    2. Mr. Peter K. Chemweno - Director. Departmental Committees
    3. Mr. Peter Meikoki - Deputy Director, Finance &Accounting
    4. Mr. Moses Mpisulo Lemuna - Clerk Assistant I

3.1 The Financial Year 2020/2021

1. Receivables from exchange Transactions

12. The statement of financial position as at 30 June, 2021 reflects receivables balance of Kshs.6,604,410,119. The balance includes an amount of Kshs.47,690,230 due from loan defaulters, whose loans were not being serviced. Further, some of the loans have been in default for more than three (3) financial years and no adequate provision has been made in the financial statements to cater for the uncertainty.
13. Consequently, the receivables balance of Kshs.6,604,410,119 as at 30 June, 2021 is not fairly stated.

Submissions by the Accounting Officer

14. The Accounting Officer submitted that the Fund through the Directorate of Litigation and Compliance of the National Assembly was in the process of recovering the outstanding balances.
15. He indicated that the non-performing loans as of 30th June, 2021 were as follows:

NO	L/NO	NAME	AMOUNT (KSH)
1	0875	Hon. George W. Mike	16,301,696
2	0885	Hon. Gideon M. Irea	4,862,408
3	0744	Mr. Solomon Obange	22,618,342
4	0587	Mr. Henry L. Siema	2,637,511

5	0365	Mr. Andrew Gicheha	1,270,098
	TOTAL		**47,690,230**

16. On the status of the outstanding loans, the Accounting Officer submitted as follows:

a. Hon. George Wanjohi Mike - Ksh.16,301,696

17. The borrower offered to surrender the property reference KAJIADO/KAPUTIE-NORTH/49107 (the security property) in settlement of the outstanding mortgage loan. The Commission considered the proposal and accepted it.

18. The property was valued on the 25th of November 2020 by Prime Land Limited and it had an open market value of **Kshs.28,000,000** and a forced sale value of **Kshs.21,000,000**.

19. The registration of the transfer of the property in favour of the Commission was effected on 23rd September, 2021. The original title deed is in the custody of the Parliamentary Service Commission.

b. Hon Gideon Mwiti Irea- Kshs.4,919,665

20. The Commission received a letter dated 18th December 2020 from J.M. Njengo & Company Advocates and another a letter dated 5th January 2021 from Silas Mwiti Irea, a brother to the former Member of Parliament, proposing to settle the loan.

21. However, the Commission further received a letter dated 18th March 2021 from J.M Njengo & Company Advocates setting aside the offer from Silas Mwiti Irea to settle the outstanding loan.

22. The property was valued and the procurement for auctioneering services is underway. The sale of the property reference No. ABOTHUGUCHI/RUIGA/414 (Security for the mortgage loan) by public auction was to be conducted. However, Hon. Gideon Irea Mwiti is now deceased.

c. Mr. Solomon Obange Ksh.22,848,700

23. Mr. Solomon Obange was a former officer serving in the Safety and Security Department of the Parliamentary Service Commission who resigned. He wrote to the Commission, in a letter dated 13th April, 2021, requesting more time to pay. However, the outstanding loan amount was still due.

24. The procurement for auctioneering services was underway and sale of the property, reference NGONG/NGONG/49403(Security for the mortgage loan) by public auction would be conducted upon valuation of the property.

d. Mr Henry Lwoba Seema (Ksh.2,666,932)

25. Mr. Henry Lwoba Seema was a former procurement officer who was dismissed in 2017 or 2018. The borrower instituted case no. CMCC ELC NO. 133 of 2021 in court seeking injunctive orders to restrain the Commission from exercising its statutory power of sale. The Court ordered that the status quo be maintained. The parties were pursuing an out- of- court settlement of the matter.

26. The Parliamentary Service Commission accepted Mr. Seema's offer for his spouse to pay monthly installments of **Ksh.30,000** with effect from December 2022 as part of servicing his mortgage. She did not default on the payments the loan balance was **Kshs.2,660,934**.

e. Mr. Andrew Gicheha Ksh.1,270,098

27. Mr. Andrew Gicheha was an officer serving in the Catering Unit of the National Assembly. The outstanding loan balance of **Ksh.1,270,098** was cleared from his terminal benefits and the title documents released to the owner for discharge of charge and custody.

28. The Accounting Officer observed that the outstanding loan amount reduced from Kshs.47 million to Ksh.30 million, since Kshs.17 million was recovered in the financial year 2022/23. Further the amount was likely to reduce since the Fund had commenced the auction of property to recover Kshs.22 million from Mr. Obange.

29. On the issue of provision for bad debts in the financial statements to cater for the uncertainty of the outstanding loans, the Accounting Officer submitted that the loans were recoverable through repayment or auction of the property of the defaulters. In addition, the Fund still held the titles for the land on which the loan defaulters developed property. However, he stated that the management would make a proposal on the provision of bad debts to the Mortgage Committee of the Parliamentary Service Commission.

Observations and findings of the Committee

30. The Committee observed that:

i. The Fund had outstanding loans of Kshs.47,690,230 as at 30 June, 2021 that were not being serviced;
ii. Kshs.17 million has since been recovered in the financial year 2022/23 from the outstanding balances of Hon. George Wanjohi Mike (Ksh.16,301,696) and Mr. Andrew Gicheha (Ksh.1,270,098);

iii. Hon Gideon Mwiti Irea who owed the Fund Ksh.4,919,665 has since died;
iv. The Fund is in the process of recovering the outstanding loans balances through auction of the property of the defaulters ;
v. The matter remained unresolved.

Recommendations of the Committee

31. The Committee recommends that:

i) Within three (3) months upon the adoption of this report, the Accounting Officer should seek approval for the writing -off of the outstanding loan for the late Hon Gideon Mwiti Irea (Ksh.4,919,665) in accordance with Section 69 of the PFM Act, 2012 and Regulation 148 of the Public Finance Management (National Government) Regulations, 2015.

ii) The Accounting Officer should continue with the recovery of the other outstanding balances for the non-performing loans and give regular updates to the House.

iii) Within six (6) months of the adoption of this report, the Accounting Officer submits the status report of the non-performing loans and recoveries made to the National Assembly and the Office of the Auditor - General for audit verification.

ii) Statement of Comparison of Budgets and Actual Amounts

32. Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

33. Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

34. The Accounting Officer submitted that the Fund was a revolving Fund. It was established with the initial capital of Ksh.90,000,000.

35. He also stated that the current capitalization of the Fund stood at Ksh6.5 billion with monthly repayments of about Ksh200 million. However, the Fund was not self-sustaining because of the increase of Members and staff.

36. He also stated that the annual budget was prepared on an accrual basis, that is, all planned costs and income were presented in a single statement to determine the needs of the entity. Consequently, there were entity differences that would require reconciliation.

37. Further the budgeting for the Fund was done through the Parliamentary Service Commission and money paid directly to the Fund account for disbursement of loans to Members and staff of the Commission. He also explained that the capital enhancement was done on a need basis and factored in the subsequent budget circles.

38. He also indicated that in the 2021/2022 financial year and going forward, the budget was prepared on projected capital enhancement on a need basis, revenue, and expenditure within the parliamentary term circle to ensure compliance with the International Public Sector Accounting Standards (IPSAS) Actual Basis of financial reporting.

Observations and findings of the Committee

39. The Committee observed that:
    a. The Fund did not prepare a statement of comparison of budget and actual amounts as prescribed by the Public Sector Accounting Standards Board (PSASB) guidelines and template;
    b. In the subsequent financial year the Fund prepared a statement of comparison of budget and actual amounts therefore adhering to the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework;
    c. The audit query is resolved.

40. The Committee recommends that:

i) The Accounting Officer MUST at all times ensure that applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012 and Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

3.2 The Financial Year 2021/2022

1. Receivables from exchange transactions

41. The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,686,521,878 as disclosed in Note 8 to the financial statements. The balance includes an amount of Kshs.35,057,050 due from loan defaulters, whose loans were not being serviced.

42. Further, some of the loanees have been in default for more than three financial years and no adequate provision has been made in the financial statements to cater for the uncertainty.

43. In the circumstances, the accuracy and fair presentation of the receivables from exchange transactions balance of Kshs.5,686,521,878 could not be confirmed.

Submissions by the Accounting Officer

44. The Accounting Officer submitted that the Directorate of Litigation and Compliance of the National Assembly was assisting the Officer Administering Fund to recover the outstanding balances through the laid down procedures. He stated that as of 30th June, 2022, the list of loan defaulters was as indicated in the table below:

Parliamentary Mortgage Scheme Loan Defaulters as at 30/06/2022

NAME	PF NO.	Kshs	Last payment	Default period
Hon. Gideon Mwiti Irea	20130066	4,919,665	28/05/2019	3 years
Mr. Solomon Obange	99003853	22,848,700	31/10/2018	3 years 8 months
Ms. Eunice Lumallas Zisiga	99003810	2,543,412	19/10/2021	8 months
Mr. Joel Nassiuma Kimitiosi	99003646	2,078,341	08/11/2021	10 months
Mr. Henry Lwoba Siema	99003724	2,666,932	31/01/2018	4 years 5 months

	Total	**35,057,050**		

Status of the loans

45. The Accounting Officer informed the Committee that the status of loans was as follows.

a. Hon Gideon Mwiti Irea- Ksh.4,919,665

46. The Commission received a letter dated 18th December 2020 from J.M. Njengo & Company Advocates and another a letter dated 5th January 2021 from Silas Mwiti Irea, a brother to the former Member of Parliament, proposing to settle the loan.

47. However, the Commission further received a letter dated 18th March 2021 from J.M Njengo & Company Advocates setting aside the offer from Silas Mwiti Irea to settle the outstanding loan.

48. The property was valued and the procurement for auctioneering services was underway. The sale of the property reference No. ABOTHUGUCHI/RUIGA/414 (Security for the mortgage loan) by public auction was to be conducted. However, Hon. Gideon Irea Mwiti is now deceased.

b. Mr Solomon Obange Ksh.22,848,700

49. Mr Solomon Obange was a former officer serving in the Safety and Security Department who resigned. He wrote to the Commission, in a letter dated 13th April, 2021, requesting more time to pay. However, the outstanding loan amount was still due.

50. The procurement for auctioneering services was underway and sale of the property, reference NGONG/NGONG/49403(Security for the mortgage loan) by public auction would be conducted upon valuation of the property.

c. Mr Henry Lwoba Seema (Ksh.2,666,932)

51. Mr Henry Lwoba Seema was a former procurement officer who was dismissed in 2017 or 2018. The borrower instituted case no. CMCC ELC NO. 133 of 2021 in court seeking injunctive orders to restrain the Commission from exercising its statutory power of sale. The Court ordered that the status quo be maintained. The parties were pursuing an out -of- court settlement of the matter.

52. The Parliamentary Service Commission accepted Mr. Seema's offer for his spouse to pay monthly installments of **Ksh.30,000** with effect from December 2022 as part of servicing his mortgage. She did not default on the payments the loan balance was **Kshs.2,660,934**.

d. Ms. Eunice Lumallas Zisiga

53. The former staffer proposed to be servicing her loan with payments of not less than Kshs.50,000 per month. She continued to service the loan which stood at Ksh.1,917,012.

e. Mr. Joel Nassiuma Kimitiosi

54. Several demand letters were sent to the defaulter including a notice to sell. The former officer continued to service the loan even though not regularly. He was trying to make a lump sum payment. The current balance stood at Ksh.2,049,124.

Observations and Findings of the Committee

55. The Committee observed that:

i. The Fund had non-performing loans of Kshs.35,057,050 as at 30 June, 2022 that were not being serviced;

ii. Hon Gideon Mwiti Irea who owed the Fund Ksh.4,919,665 has since died;

iii. The Fund is in the process of recovering the outstanding loans balances through auction of property;

iv. The matter remained unresolved.

56. The Committee recommends that:

i) Within three (3)months upon the adoption of this report, the Accounting Officer should seek approval of writing -off of the outstanding loan of the late Hon Gideon Mwiti Irea (Ksh.4,919,665) in accordance with Section 69 of the PFM Act, 2012 and Regulation 148 of the Public Finance Management (National Government) Regulations, 2015.

ii) The Accounting Officer should continue with the recovery of the other outstanding balances for the non-performing loans and give regular updates to the House.

iii) Within six (6) months of the adoption of this report, the Accounting Officer should submit the status report of the non-performing loans and recoveries made to the National Assembly and the Office of the Auditor - General for audit verification.

4.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL FOR THE PARLIAMENTARY CAR LOAN FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

57. Mr. Samuel Njoroge, Clerk National Assembly, appeared before the Committee on 20th June, 2023 to adduce evidence on the audited financial statements for the **Parliamentary Car Loan Fund** for the Financial Years 2020/2021 and 2021 /2022. The minutes of the Committee sitting, and submissions tabled by the Accounting Officer are annexed to this report. The Accounting officer was accompanied by:

a. Ms. Serah Kioko	-	Deputy Clerk National Assembly
b. Mr. Peter .K. Chemweno	-	Director Departmental Committees
c. Mr. Peter Meikoki	-	Deputy Director Finance &Accounting
d. Mr. Moses Mpisulo Lemuna	-	Clerk Assistant I

4.1 The Financial Year 2020/2021

1. Statement of Comparison of Budgets and Actual Amounts

58. Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

59. Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

60. The Accounting Officer submitted that the Fund was established with an initial capital of **Ksh.250,000,000.00** paid out of the vote of National Assembly for the year 1999/2000. The capital currently stood at **Ksh.1,450,000,000.00**.

61. He also responded that the annual budget was prepared on the accrual basis, that is, all planned costs and income were presented in a single statement to determine the needs of the entity. Consequently, there are no basis, timing or entity differences that would require reconciliation.

62. He also stated that budgeting was done through the Parliamentary Service Commission and allocations were paid directly to Fund accounts for disbursement of loans to Members and

staff of the Commission. He further explained that the Capital enhancement was done on a need basis and factored in the subsequent budget circles.

63. He also noted that during the 2021/2022 financial year and going forward, the Fund prepared a budget for presentation and approval by the Loans Management Committee on projected capital enhancement on need basis, revenues, and expenditures within the parliamentary term cycles. This ensured compliance with International Public Sector Accounting Standards (IPSAS) Accrual Basis of Financial reporting.

Observations and Findings of the Committee

64. The Committee observed that:
    i. The Fund did not prepare a statement of comparison of budget and actual amounts as prescribed by the Public Sector Accounting Standards Board (PSASB) guidelines and template;
    ii. In the subsequent financial year the Fund prepared a statement of comparison of budget and actual amounts therefore adhering to the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework;
    iii. The audit query is resolved.

65. The Committee recommends that:

i) The Accounting Officer MUST at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements and that the same are prepared in compliance with Public Finance Management Act, 2012 Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

4.2 **The Financial Year 2021/2022**

66. The office of the Auditor- General confirmed that there were no material issues reported in the financial year.

5.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL FOR THE PARLIAMENTARY CATERING FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022

67. Mr. Samuel Njoroge, Clerk National Assembly, appeared before the Committee on 20th June, 2023 to adduce evidence on the audited financial statements for the **Parliamentary Catering Fund** for the Financial Years 2020/2021 and 2021 /2022. The minutes of the Committee sitting, and submissions tabled by the Accounting Officer are annexed to this report. The Accounting officer was accompanied by:

1. Ms. Serah Kioko - Deputy Clerk National Assembly
2. Mr. Peter .K. Chemweno - Director Departmental Committees
3. Mr. Peter Meikoki - Deputy Director Finance Accounting
4. Mr. Moses Mpisulo Lemuna - Clerk Assistant I

5.1 The Financial Year 2020/2021

1. Lack of Statement of Comparison of Budgets and Actual Amounts

68. Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

69. Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

70. The Accounting Officer submitted that the Fund's budget was prepared under the procurement plan for the National Assembly recurrent vote. This was the practice since the current Officer Administering the Fund took over in the financial year 2019/2020.

71. He also informed the Committee that the Fund budgeting was subsidized by the Parliamentary Service Commission whereby the actual budget was done through the National Assembly vote.

72. Further the capital was enhanced in the subsequent budget circles. He noted that t the budget was presented for consideration and approval by Catering Fund Management Committee beginning 2021/2022 Financial year going forward on projected capital injection on need basis, revenue, and expenditure. which will ensure compliance with the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting.

Observations and Findings of the Committee

73. The Committee observed that:

a. The Fund did not prepare a statement of comparison of budget and actual amounts as prescribed by the Public Sector Accounting Standards Board (PSASB) guidelines and template;

b. In the subsequent financial year the Fund prepared a statement of comparison of budget and actual amounts therefore adhering to the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework,

c. The audit query is resolved.

74. The Committee recommends that:

The Accounting Officer MUST at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements and that the same are prepared in compliance with Public Finance Management Act, 2012 and Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

5.2 The Financial Year 2021/2022

1. **Receivables**

75. The statement of financial position, Note 8 and Annex II to the financial statements reflects receivables balance of Kshs.42, 591,583. Included in this balance is Kshs.41, 357,388 owed to the Fund by National Assembly, Parliamentary Joint Services and Senate. However, the outstanding balance of Kshs.41,357,388 has not been disclosed in the pending bills of the respective financial statements under the three (3) votes as detailed below:

Name	Amount Kshs.
National Assembly- Offices and Committees	18,619,462
Parliamentary Joint Services and CPST	12,671,938
Senate- Offices and Committees	10,065,988
Total	**41,357,388**

76. In the circumstances, the accuracy and validity of the receivables balance of Kshs.42,591,583 could not be confirmed.

Submissions by the Accounting Officer

77. The Accounting Officer submitted that the Parliamentary Catering Fund had carried out verifications of bills owed by the three Services to ascertain their accuracy and authenticity for purposes of including them as receivables in Financial Statements for year ended 30th June 2022.

78. However, when the verification was concluded and a report to be forwarded to the three respective services, the services had concluded their preparation of financial statements. Thus, the omission of Kshs.41, 357,388.00 in their respective reporting by 30th June 2022.

79. He further stated that out of the Kshs.41,357,388, an amount of Ksh.31,392,405 was paid to the Fund. The balance of Kshs.11,199,178 would be cleared during the 2023/24 financial year through monthly deduction and direct payment into the Catering Fund account once exchequer is received for respective Services.

80. He also promised that going forward the Fund would verify and submit the amounts owed in time for inclusion in the financial statements of the respective services.

81. The Accounting Officer also informed the Committee that the Fund initially operated a manual payment scheme that was prone to errors or omissions, however a digital system comprising a point of sale that was linked to a pay bill had been instituted to address the challenges and the Fund expected improved payment of bills in the subsequent financial years.

Observations and findings of the Committee

82. The Committee observed that:

   i. The outstanding balances of Kshs.41,357,388 was not disclosed in the pending bills of the three (3) Vote's financial statements because verification of the receivables by the Fund was concluded after the financial statements had been prepared;

   ii. Ksh. 31,392,405 has been paid to the Fund and the balance of Ksh.11,199,178 would be cleared during the current financial year;

   iii. The matter remained unresolved.

83. The Committee recommends that:

   i. **The Accounting Officer MUST at all times verify and submit the receivables in time for inclusion in the financial statements of the respective services in the subsequent financial year.**

   ii. **The Accounting Officer should pursue the recovery of the balance of Kshs.11, 199,178.**

SIGNED..**DATE**..

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTE

6.0 ANNEXURES

6.1 Annexure 1 - Committee Minutes

6.2 Annexure 2 - Adoption List

THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE.

ADOPTION LIST FOR THE

SECOND REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE:

1. **Parliamentary Mortgage Fund** - **2020/2021 and 2021/2022**
2. **Parliamentary Car Loan Fund** - **2020/2021 and 2021/2022**
3. **Parliamentary Catering Fund** - **2020/2021 and 2021/2022**

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

MINUTES OF THE 37TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 5TH JULY 2023, IN MAIN PARLIAMENT BUILDINGS IN CONTINENTAL HOUSE COMMITTEE ROOM ON THE 4TH FLOOR AT 2.00 PM

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Eve Akinyi Obara, MP
5. Hon. Catherine Nakhabi Omanyo, MP
6. Hon. Paul Kibichi Biego, MP

APOLOGIES

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice **Chairperson**
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Joseph Majimbo Kalasinga
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Cecilia Asinyen Ngitit, MP
7. Hon. Joshua Odongo Oron, MP
8. Hon. Joseph Kimutai Cherorot, MP
9. Hon. Kahugu Erick Mwangi, MP

IN ATTENDANCE

Parliamentary Car Loan, Mortgage and Catering Funds

1. Mr. Samuel Njoroge - Clerk National Assembly
2. Ms. Serah Kioko - Deputy Clerk National Assembly
3. Mr. Peter .K. Chemweno - Director Departmental Committees
4. Mr. Peter Meikoki - Deputy Director Finance
5. Mr. Moses Mpisulo Lemuna - Clerk Assistant I

OFFICE OF THE AUDITOR-GENERAL

1. Mr. Stephen Taiku - Deputy Director Audit
2. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer
3. Mr. Ibrahim Waweru - Senior Audit

NATIONAL TREASURY

Rev. CPA Kimathi Kwiriga - Parliamentary Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Senior Clerk Assistant
2. Ms. Comfort Susan Achieng - Clerk Assistant III
3. Mr. Silvanus Makau - Clerk Assistant III
4. Ms. Bevaline Mosoti - Research Assistant III
5. Mr. Robert Ngetich - Fiscal Analyst II
6. Ms. Judy Kanyoko - Legal Counsel II
7. Ms. Pauline sifuma - Hansard Reporter
8. Mr. Peter Mutethia - Audio officer III

MIN. NA/AA&SC-SFAC/2023/054: PRELIMINARIES

The Chairperson called the meeting to order at 3.55pm, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the Auditor General Reports on Accounts for Parliamentary Car Loan, Mortgage and catering Fund for the financial year 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. Samuel Njoroge, the Clerk of National Assembly and the Accounting Officer for Parliamentary Car Loan, Mortgage and catering Fund undertook the witness oath. He tabled the management responses and supporting documents on the audited accounts of the Parliamentary Car Loan, Mortgage and Catering Fund for the financial years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/055: CONSIDERATION OF THE AUDIT REPORTS OF THE PARLIAMENTARY CAR LOAN, MORTGAGE AND CATERING FUND 2020/21 AND 2021/22

Brief on the mandate and scope of the Fund

The Accounting officer briefed the Committee on the operations of the Parliamentary Mortgage Fund and the Parliamentary Car Loan Fund.

Examination of the Auditor General reports for the Parliamentary Mortgage Fund for the Financial Year 2020/2021

The Committee examined the Auditor General's report for the Parliamentary Mortgage Fund for the Financial 2020/21 as follows:

1. **Receivables from exchange Transactions**

The statement of financial position as at 30 June, 2021 reflects receivables balance of Kshs.6,604,410,119. The balance includes an amount of Kshs.47,690,230 due from loan defaulters, whose loans were not being serviced. Further, some of the loans have been in default for more than three (3) financial years and no adequate provision has been made in the financial statements to cater for the uncertainty.

Consequently, the receivables balance of Kshs.6,604,410,119 as at 30 June, 2021 is not fairly stated.

Management response

The Accounting Officer submitted that the Parliamentary Mortgage Fund through the Directorate of Litigation and Compliance of the National Assembly was in the process of recovering the outstanding balances.

He indicated that the non-performing loans as of 30th June, 2021 were as follows:

NO	L/NO	NAME	AMOUNT (KSH)
1	0875	Hon. George W. Mike	16,301,696
2	0885	Hon. Gideon M. Irea	4,862,408
3	0744	Mr. Solomon Obange	22,618,342
4	0587	Mr. Henry L. Siema	2,637,511
5	0365	Mr. Andrew Gicheha	1,270,098
	TOTAL		47,690,230

On the status of the loans, the Accounting Officer submitted as follows:

a. **Hon. George Wanjohi Mike Ksh. 16,301,696**

The borrower offered to surrender the property reference KAJIADO/KAPUTIE-NORTH/49107 (the security property) in settlement of the outstanding mortgage loan. The Commission considered the proposal and accepted it.

The property was valued on the 25th of November 2020 by Prime Land Limited and it had an open market value of **Kshs. 28,000,000** and a forced sale value of **Kshs. 21,000,000**.

The registration of the transfer of the property in favour of the Commission was effected on 23rd September, 2021. The original title deed is in custody of the Parliamentary Service Commission.

b. **Hon Gideon Mwiti Irea Ksh.4,919,665**

The Commission received a letter dated 18th December 2020 from J.M. Njengo & Company Advocates and another a letter dated 5th January 2021 from Silas Mwiti Irea, a brother to the former Member of Parliament, proposing to settle the loan.

However, the Commission further received a letter dated 18th March 2021 from J.M Njengo & Company Advocates setting aside the offer from Silas Mwiti Irea to settle the outstanding loan.

The property was valued and the procurement for auctioneering services are underway. The sale of the property reference No. ABOTHUGUCHI/RUIGA/414 (Security for the mortgage loan) by public auction was to be conducted. However, Hon. Gideon Irea Mwiti was now deceased.

c. **Mr Solomon Obange Ksh.22,848,700**

i. **Mr Solomon Obange** was a former officer serving in the Safety and Security Department who resigned;
ii. He wrote to the Commission, in a letter dated 13th April, 2021, requesting for more time to pay;
iii. The outstanding loan amounts were still due. Valuation for the property has already been undertaken;
iv. Procurement for auctioneering services was underway; and
v. Sale of the property reference NGONG/NGONG/49403(Security for the mortgage loan) by public auction to be conducted upon valuation of the property.

d. Mr Henry Lwoba Seema (Ksh.2,666,932)

i. **Mr Henry Lwoba Seema** was a former procurement officer who was dismissed in 2017 or 2018.
ii. The borrower instituted case no. CMCC ELC NO. 133 of 2021 in court seeking injunctive orders to restrain the Commission from exercising its statutory power of sale.
iii. The Court ordered that the status quo be maintained.
iv. The parties were pursuing an out of court settlement of the matter.
v. The Parliamentary Service Commission accepted Mr. Seema's offer for his spouse to pay the monthly installments of **Ksh. 30,000** with effect from December 2022 as part of servicing his mortgage. She had not defaulted on the payments;
vi. The loan balance was **Kshs 2,660,934**.

e. Mr. Andrew Gicheha Ksh. 1,270,098

i. **Mr. Andrew Gicheha** was an officer serving in Catering Unit. The outstanding loan balance of **Ksh. 1,270,098** was cleared from his terminal benefits and the title documents released to owner for discharge of charge and custody

The Accounting Officer observed that the outstanding loan amount reduced from Kshs. 47 million to Ksh 30 million, since Kshs. 17 million was recovered in the financial year 2022/23. Further the outstanding amount was likely to reduce significantly, since the Fund had commenced the auction of property to recover Kshs 22 million from Mr. Obange

On the issue of making a provision for bad debts in the financial statements to cater for the uncertainty on the repayment of the outstanding loans, the Accounting Officer submitted that the loans were recoverable through repayment or auction of property of the defaulters. In addition, the Fund still held the titles for the land on which the loan defaulters developed property. However, he stated that the management would make a proposal on the provision to the Mortgage Committee of the Parliamentary Service Commission for consideration .

Committee observation

The Committee observed that the loans for Hon. George Wanjohi Mike and Mr. Andrew Gicheha were settled. However, the matter remained unresolved as the other loans were outstanding.

2. **Statement of Comparison of Budgets and Actual Amounts**

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Management response

The Accounting Officer responded that the Fund was a revolving Fund. It was established with the initial capital of Ksh. 90,000,000 which had grown to Ksh.6.5Billion.

He stated that the annual budget was prepared on the accrual basis, that is, all planned costs and income were presented in a single statement to determine the needs of the entity. Consequently, there were no basis, timing or entity differences that would require reconciliation.

He also indicated that the budgeting was done through the Parliamentary Service Commission and money paid directly to Fund account for disbursement of loans to Members and staff of the Commission. He also explained that the capital enhancement was done on a need basis and factored in the subsequent budget circles.

He also indicated that in the 2021/2022 Financial year and going forward, the Fund prepared a budget for presentation and approval by the Loans Management Committee board on projected capital enhancement on a need basis, revenue and expenditure within the parliamentary term circles to ensure compliance with the International Public Sector Accounting Standards (IPSAS) Actual Basis of financial reporting.

Committee observation

The Committee noted that the matter was resolved as management adhered to the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework in the subsequent Financial Year.

Examination of the Auditor General reports for the Parliamentary Mortgage Fund for the Financial year 2021/2022

1. **Receivables from exchange transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,686,521,878 as disclosed in Note 8 to the financial statements. The balance includes an amount of Kshs.35,057,050 due from loan defaulters, whose loans were not being serviced.

Further, some of the loanees have been in default for more than three financial years and no adequate provision has been made in the financial statements to cater for the uncertainty.
In the circumstances, the accuracy and fair presentation of the receivables from exchange transactions balance of Kshs.5,686,521,878 could not be confirmed.

Management response

The Accounting Officer submitted that the Directorate of Litigation and Compliance was assisting the Officer Administering Fund to recover the outstanding balances through the laid down procedures. He stated that as of 30th June, 2022, the Fund the list of loan defaulters was indicated in the table below:

Parliamentary Mortgage Scheme Loan Defaulters as at 30/06/2022

NAME	PF NO.	Kshs	Last Payment	Default Period
Hon. Gideon Mwiti Irea	20130066	4,919,665	28/05/2019	3 years
Mr. Solomon Obange	99003853	22,848,700	31/10/2018	3 years 8 months
Ms. Eunice Lumallas Zisiga	99003810	2,543,412	19/10/2021	8 months

Mr. Joel Nassiuma Kimitiosi	9900364 6	2,078,341	08/11/2021	10 months
Mr. Henry Lwoba Siema	9900372 4	2,666,932	31/01/2018	4 years 5 months
	Total	**35,057,050**		

Status of the loans

The Accounting Officer informed the Committee that the status of loans for the following was the same as reported in the response for the same audit query in the 2020/2021 Financial Year:

i. Hon Gideon Mwiti Irea
ii. Mr Solomon Obange
iii. Mr Henry Lwoba Siema

The status for two other cases was as follows:

i. Ms. Eunice Lumallas Zisiga - Ksh. 2,543,41

The former staffer proposed to be servicing her loan with payments of not less than Kshs. 50,000 per month. She continued to service the loan which stood at Ksh 1,917,012.

(IV) Mr. Joel Nassiuma Kimitiosi- Ksh. 2,078,341

Several demand letters were sent to the defaulter including a notice to sell. . The former officer continued to service the loan even though not regularly. He was trying to make a lump sum payment. The current balance stood at Ksh 2,049,124.

Committee observation

The Committee noted that the matter remained unresolved as the loans were outstanding.

Examination of the Auditor General reports for the Parliamentary Car Loan Fund for the Financial Year 2020/2021

The Committee examined the Auditor General's report for the, Car Loan Fund for the Financial Year as follows:

1. **Statement of Comparison of Budgets and Actual Amounts**

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Management response

The Accounting Officer submitted that the Fund was established with an initial capital of **Ksh.250,000,000.00** paid out of the vote of National Assembly for the year 1999/2000. The capital currently stood at **Ksh.1,450,000,000.00**.

He also responded that the annual budget was prepared on the accrual basis, that is, all planned costs and income were presented in a single statement to determine the needs of the entity. Consequently, there are no basis, timing or entity differences that would require reconciliation.

He also stated that budgeting was done through the Parliamentary Service Commission and allocations were paid directly to Fund accounts for disbursement of loans to Members and staff of the Commission. He further explained that the Capital enhancement was done on a need basis and factored in the subsequent budget circles.

He also noted that during the 2021/2022 financial year and going forward, the Fund prepared a budget for presentation and approval by the Loans Management Committee on projected capital enhancement on need basis, revenues, and expenditures within the parliamentary term cycles. This ensured compliance with International Public Sector Accounting Standards (IPSAS) Accrual Basis of Financial reporting.

Committee observation

The Committee noted that the matter was resolved as the management adhered to the International Public Sector Accounting Standards (IPSAS) (accrual Basis of Financial reporting) in the subsequent year.

Examination of the Auditor General reports for the Parliamentary Car Loan Fund for the Financial Year 2021/2022

The office of the Auditor General confirmed that there were no material issues reported in financial year.

Examination of the Auditor General reports for the Parliamentary Catering Fund Financial Year 2020/2021

1. **Brief on the mandate and scope of the Fund**

The Accounting officer briefed the Committee on the operations of the Parliamentary Catering Fund.

2. **Lack of Statement of Comparison of Budgets and Actual Amounts**

Contrary to the guidelines and template prescribed by the Public Sector Accounting Standards Board for entities reporting under International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework, the Fund's financial statements for the year ended 30 June, 2021 submitted for audit review did not include the statement of comparison of budget and actual amounts. No satisfactory explanation was provided for the omission.

Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

Management Response

The Accounting Officer responded that the Fund's budget was prepared under the procurement plan for the National Assembly recurrent vote. This was the practice since the current Officer Administering the Fund took over in the financial year 2019/2020.

He also informed the Committee that the Fund budgeting was subsidized by the Parliamentary Service Commission whereby the actual budget was done through the National Assembly vote.

Further the capital was enhanced in the subsequent budget circles. He noted that t the budget was presented for consideration and approval by Catering Fund Management Committee beginning 2021/2022 Financial year going forward on projected capital injection on need basis, revenue, and expenditure. which will ensure compliance with International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting.

Committee observation

The Committee noted that the matter was resolved as the management adhered to the International Public Sector Accounting Standards (IPSAS) (Accrual Basis of financial reporting) in the subsequent Financial Year.

Examination of the Auditor General reports for the Parliamentary Catering Loan Fund Financial Year 2021/2022

1. **Receivables**

The statement of financial position, Note 8 and Annex II to the financial statements reflects receivables balance of Kshs.42,591,583. Included in this balance is Kshs.41,357,388 owed to the Fund by National Assembly, Parliamentary Joint Services and Senate. However, the outstanding balance of Kshs.41,357,388 has not been disclosed in the pending bills of the respective financial statements under the three (3) votes as detailed below:

Name	Amount Kshs.
National Assembly- Offices and Committees	18,619,462
Parliamentary Joint Services and CPST	12,671,938

Senate- Offices and Committees	10,065,988
Total	**41,357,388**

In the circumstances, the accuracy and validity of the receivables balance of Kshs.42,591,583 could not be confirmed.

Management response

The Accounting Officer responded that the Parliamentary Catering Fund had carried out verifications of bills owed by the three Services to ascertain their accuracy and authenticity for purposes of including them as receivables in Financial Statements for year ended 30th June 2022.

However, when the verification was concluded and forwarded to the three respective services, the services had concluded their preparation of financial statements. Thus, the omission of Ksh 41,357,388.00 in their respective reporting by 30th June 2022.

He further noted that out of the Kshs. 41,357,388, an amount of Ksh. 31,392,405 had been paid to the Fund. The balance of Ksh. 11,199,178 would be cleared during the current financial year through monthly deduction and direct payment into the Catering Fund account once exchequer is received for respective the Services.

He also noted that going forward the Fund would verify and submit the amounts owed in time for inclusion in the financial statements of the respective services.

The Accounting Officer also informed the Committee that the Fund initially operated a manual payment scheme that was prone to errors or leakages, however a digital system comprising a point of sale that was linked to a pay bill had been instituted to address the challenges and the Fund expected improved payment of bills in the subsequent financial years.

Committee observation

The Committee noted that the matter remained unresolved as the balance had not been cleared.

MIN. NA/AA&SC-SFAC/2023/056: ADJOURNMENT

There being no other business, the meeting was adjourned at 5.30 p.m. The next meeting will be held on notice.

SIGNED..**DATE** 01/08/2023

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTE

MINUTES OF THE 39TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 1ST AUGUST 2023, IN MAIN PARLIAMENT BUILDINGS IN COMMITTEE ROOM 12, GROUND FLOOR AT 09.30 AM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Joseph Majimbo Kalasinga
4. Hon. Erastus Kivasu Nzioka, MP
5. Hon. Joseph Kimutai Cherorot, MP
6. Hon. Eve Akinyi Obara, MP
7. Hon. Catherine Nakhabi Omanyo, MP
8. Hon. Paul Kibichi Biego, MP
9. Hon. Kahugu Erick Mwangi, MP
10. Hon. Cecilia Asinyen Ngitit, MP
11. Hon. Joshua Odongo Oron, MP
12. Hon. Tom Mboya Odege, MP

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Charles Ngusya Nguna, MP

IN ATTENDANCE

Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

NATIONAL TREASURY

Mr. Simon K. Kiriiba - Parliamentary Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Senior Clerk Assistant
2. Mr. Silvanus Makau - Clerk Assistant III
3. Mr. Robert Ngetich - Fiscal Analyst II
4. Ms. Pauline sifuma - Hansard Reporter
5. Mr. Peter Mutethia - Audio Officer III
6. Mr. Benard Omondi - Sargent art arm
7. Ms. Mariam Gabow - Public Communications Officer III

MIN. NA/AA&SC-SFAC/2023/061: PRELIMINARIES

The Chairperson called the meeting to order at 09.45am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. Communication from the Chair
4. Confirmation of previous Minutes
5. **Report writing on the Considered Accounts of the Parliamentary Mortgage Fund, Parliamentary Catering Fund, Parliamentary Car Loan Fund and the Local Authorities Provident Fund.**
6. Any Other Business
7. Adjournment Date of the next meeting.

MIN. NA/AA&SC-SFAC/2023/062: COMMUNICATION FROM THE CHAIR

The Chair communicated the following to the Committee:

a. The Principal Secretary, State Department for Petroleum, in his letter with Ref: No: MOPM/P/CONF/1/36 dated 28th July 2023 requested the Committee to postpone the meeting scheduled on 4th August 2023 to the week of 7th August 2023.The Committee agreed to the request and rescheduled the meeting to 8th August 2023.

b. The Managing Trustee, Commodities Fund, in her letter with Ref No: ComFund/Fin/Vol.13/3811 dated 31st July 2023 requested the Committee to postpone the meeting scheduled for 1st August 2023. The Committee rescheduled the meeting to 4th August 2023.

MIN. NA/AA&SC-SFAC/2023/063: CONFIRMATION OF PREVIOUS MINUTES

1. The minutes of the 34th sitting held on Tuesday**, 20th June 2023,** were confirmed as an accurate record of the proceedings having been proposed by Hon. Erastus Kivasu Nzioka, MP and seconded by Hon. Tom Mboya Odege, MP.
2. The minutes of the 35th sitting held on Tuesday, **27th June 2023,** were confirmed as an accurate record of the proceedings having been proposed by Hon. Erastus Kivasu Nzioka, MP and seconded by Hon. Paul Kibichi Biego, MP.
3. The minutes of the 36th sitting held on Tuesday, **4th July 2023,** were confirmed as an accurate record of the proceedings having been proposed by Hon. Kahugu Erick Mwangi, MP and seconded by Hon. Tom Mboya Odege, MP.

4. The minutes of the 37th sitting held on Wednesday, **5th July 2023,** were confirmed as an accurate record of the proceedings having been proposed by Hon. Erastus Kivasu Nzioka, MP and seconded by Hon. Paul Kibichi Biego, MP.

MIN. NA/AA&SC-SFAC/2023/064: CONSIDERATION OF DRAFTS REPORTS THE PARLIAMENTARY MORTGAGE SCHEME FUND, PARLIAMENTARY CATERING FUND, PARLIAMENTARY CAR LOANSCHEME FUND AND THE LOCAL AUTHORITIES PROVIDENT FUND.

Parliamentary Mortgage Scheme Fund for the Financial Year 2020/2021.

a. **Receivables from exchange Transactions**

The Committee agreed on the following observations and recommendations.

Observations

i. The Fund had outstanding loans of Kshs.47,690,230 as at 30 June, 2021 that were not being serviced;
ii. Kshs. 17 million has since been recovered in the financial year 2022/23;
iii. The Fund is in the process of recovering the outstanding loans balances through auction of property;
iv. The matter remained unresolved.

Recommendations

i. The Fund continue with the recovery process of the non-performing loans; and
ii. Within six (6) months of the adoption of this report, the Accounting Officer submits the status report of the non-performing loans and recoveries made to the National Assembly and the Office of the Auditor - General for audit verification.

2. **Statement of Comparison of Budgets and Actual Amounts**

Observation

The Committee observed that the matter was resolved as management has adhered to the International Public Sector Accounting Standards (IPSAS) Accrual Basis of financial reporting framework in the subsequent financial year.

Recommendations

The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

Parliamentary Mortgage Fund for the Financial Year 2021/2022.

1. **Receivables from exchange transactions**

Observations

i. The Fund had non-performing loans of Kshs.35,057,050 as at 30 June, 2022 that were not being serviced;
ii. The Fund is in the process of recovering the outstanding loans balances through auction of property;
iii. The matter remained unresolved.

Recommendations

i. The Accounting Officer to continue with the recovery process of the non-performing loans; and
ii. Within six (6) months of the adoption of this report, the Accounting Officer to submit the status report of the non-performing loans and recoveries made to the National Assembly and the Office of the Auditor - General for audit verification.

Parliamentary Car Loan Fund for the Financial Year 2020/2021.

Observation

The Committee observed that the matter was resolved as the management adhered to the International Public Sector Accounting Standards (IPSAS) (accrual Basis of Financial reporting) in the subsequent year.

Recommendation

The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

Parliamentary Car Loan Fund for the Financial Year 2021/2022.

The office of the Auditor- General confirmed that there were no material issues reported in the financial year.

Parliamentary Catering Fund for the Financial Year 2020/2021.

1. **Lack of Statement of Comparison of Budgets and Actual Amounts**

Observation

The Committee observed that the matter was resolved as the management adhered to the International Public Sector Accounting Standards (IPSAS) (accrual Basis of Financial reporting) in the subsequent year.

Recommendation

The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with Public Finance Management Act, 2012 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.

Parliamentary Catering Fund for the Financial Year 2021/2022.

1. **Receivables**

Observation

i. The outstanding balances of Kshs.41,357,388 was not disclosed in the pending bills of the three (3) Vote's financial statements because verification of the receivables by the Fund was concluded after the financial statements had been prepared;
ii. Ksh. 31,392,405 has been paid to the Fund and the balance of Ksh. 11,199,178 would be cleared during the current financial year;
iii. The outstanding balance of Kshs.41,357,388 was not disclosed in the pending bills of the respective financial statements under the three (3) votes;
iv. The matter remained unresolved.

Recommendation

i. The Accounting Officer to verify and submit the receivables in time for inclusion in the financial statements of the respective services; and

ii. Within three (3) months of the adoption of this report, the Accounting Officer submits the status report for the undisclosed pending bills of Kshs.41, 357,388 to the Auditor - General for audit verification.

The Local Authorities Provident Fund for the Financial Year 2019/2020.

1. **Long Term Receivables from Exchange Transactions**

Observations

ii. The long-term receivables balance of Kshs. 11,972,660,000 as at 30 June 2020 resulted from non-remittance and delayed remittance of contributions by County Governments and the defunct local authorities;

iii. Management had not collected long overdue (contributions) receivables of Kshs.11, 972,660,000 by end of the financial year 2019/2020.;

iv. Most of the debts were historical and were for the defunct Local Authorities;

v. Some Counties which were unable to remit their arrears (contributions due) offered properties to the Fund in an asset debt swap arrangement; and

vi. The matter remained unresolved.

Recommendations

i. The Accounting Officer take appropriate measures to recover the long-term receivables of Kshs. 11,972,660,000;

ii. Within three (3) months of the adoption of this report, the Accounting Officer to engage: the Council of Governors (COG) to explore the mechanism of how best the issue of recovery of the long-term receivables can be resolved; the Controller of Budget to exploit the mechanism of recovering the long-term receivables of Kshs. 11,972,660,000 as well ensuring prompt payment of future contributions;

iii. Within three (6) months of the adoption of this report, the Accounting Officer submits the status report of the unremitted contributions from Counties and recoveries made to the Auditor General for audit verification.

iv. The Accounting Officer confirms ownership status of properties offered by county Governments before asset debt swap arrangements are agreed upon.

Other Matter

2. **Unresolved Prior Year Matters**

2.1 Unrecovered Rent - Mariakani Estate Nairobi

Observations

i. The County Government of Nairobi had collected rent amounting to Kshs.64,800,000 which was yet to be remitted to the Fund;

ii. The Defunct City Council of Nairobi offered to transfer Mariakani Estate to LAPFUND through asset debt swap agreement in the year 2013.and

iii. The matter remained unresolved

Recommendations

ii. Within three (3) months of the adoption of this report, the Fund to engage with the County Government of Nairobi to explore the mechanism of recovering the unremitted funds as well as ensuring prompt payment of future contributions;

iii. The Accounting Officer to submit the findings of the engagement to the National Assembly within five (5) months of adoption of this report.

2.2 Unrecovered Rent - Makasembo Estate Kisumu

Observations

i. As at 30 June, 2020 the total rent receivable from the Property from the date of transfer by the defunct Kisumu Municipal Council to the Fund was approximately Kshs. 11,979,000;

ii. The audit query has been recurring over the years;

iii. The defunct Municipal Council of Kisumu offered to transfer Makasembo Estate to the Fund through asset debt swap arrangement in March 2011

iv. Rent receivable from the property since the time of its transfer by the defunct Kisumu Municipal Council to the Fund was approximately Kshs.13, 431,000 as at 30 June, 2020; and

v. The matter remained unresolved.

Recommendations

i. Within three (3) months of the adoption of this report, the Fund to engage the with County Government of Kisumu to explore the mechanism of recovery of the unremitted funds as well as ensuring prompt payment of future contributions;

ii. The Accounting Officer to submit the findings of the engagement to the National Assembly within six (6) months of adoption of this report; and

iii. Within three (3) months of the adoption of this report, the Accounting Officer should submit the land buying agreements for Makasembo Estate to the National Assembly and the Auditor General for audit verification.

The Local Authorities Provident Fund for the Financial Year 2020/2021.

There was no issue raised in the Annual Report and Finance Statement for the 2020/2021 Financial Year.

The Local Authorities Provident Fund for the Financial Year 2021/2022.

1. **Doubtful Recoverability of Long-Term Receivables from Exchange Transactions**

Observations

i. There was an increase in the long overdue contributions by Kshs.4, 421,143,000 or 28% from the previous year's balance of Kshs.15, 851,017,000 during the year under review which implies that the Fund had not been aggressively pursuing the collection of the receivables;

ii. There were long term receivables from exchange transactions of Kshs.20,272,160,000 in the financial year 2021/2022; and

iii. The matter remained unresolved.

Recommendations

i. The Fund to continue pursuing the recovery of the long-term receivables;

ii. Within three (3) months of the adoption of this report, the Fund to engage: the Council of Governors (COG) to explore the mechanism of how best the issue can be resolved; the Controller of Budget to exploit the mechanism of recovering the funds as well ensuring prompt payment of future contributions;

iii. Within three (6) months of the adoption of this report, the Accounting Officer submits the status report of the unremitted contributions from Counties and recoveries made to the Auditor General for audit verification.

The Committee agreed that the consideration of the reports of the Auditor- General on the Parliamentary Funds be contained in one report while the consideration of the reports of the Auditor- General on the Local Authorities Provident Fund be in a separate report and the adoption of the said reports be postponed to an appropriate date.

MIN. NA/AA&SC-SFAC/2023/065: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.50 p.m. The next meeting will be held on notice.

SIGNED..**DATE**..

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTE

MINUTES OF THE 42ND SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 10TH AUGUST 2023, IN SECOND FLOOR CONTINENTAL HOUSE, AT 09.30 AM.

PRESENT

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

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Joshua Odongo Oron, MP
3. Hon. Joseph Majimbo Kalasinga
4. Hon. Paul Kibichi Biego, MP

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

NATIONAL TREASURY

Mr. Simon K. Kiriiba - Parliamentary Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Senior Clerk Assistant 1
2. Mr. Silvanus Makau - Clerk Assistant III
3. Ms. Comfort Achieng - Clerk Assistant III
4. Mr. Robert Ngetich - Fiscal Analyst II
5. Ms. Judith Kanyoko - Legal Counsel II
6. Ms. Pauline Sifuma - Hansard Reporter III

MIN. NA/AA&SC-SFAC/2023/072: PRELIMINARIES

The Chairperson called the meeting to order at 09.45 am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated.

1. Prayers
2. Preliminaries/Introductions
3. Communication from the chair
4. **Adoption of report on the Considered Audited Reports of the Parliamentary Mortgage Fund, Parliamentary Car Loan Fund, Parliamentary Catering Fund, and the Local Authorities Provident Fund.**
5. Any Other Business
6. Adjournment Date of the next meeting.

MIN. NA/AA&SC-SFAC/2023/073: COMMUNICATION FROM THE CHAIR

The Chairperson made the following Communication to the Committee:

i. The Chief of Staff and Head of the Public Service in his letter Ref. No. OP/CAB3/7 dated 4th August 2023, invited the Committee for a consultative meeting on Corruption prevention to be held in Mombasa beginning 25th August 2023.
ii. The Principal Secretary, State Department for Crop Development, in his letter REF:MOA/ADM/1/27/VPL.5/ dated 7thAugust 2023, requested the Committee to postpone the meeting scheduled for Thursday 10th August 2023. The Committee acceded to his request and rescheduled the meeting to Wednesday 16th August 2023.

MIN. NA/AA&SC-SFAC/2023/074: ADOPTION OF REPORTs ON THE CONSIDERED AUDITED REPORTS OF THE PARLIAMENTARY MORTGAGE FUND, PARLIAMENTARY CAR LOAN FUND, PARLIAMENTARY CATERING FUND, AND THE LOCAL AUTHORITIES PROVIDENT FUND.

The Committee adopted the following reports with the proposed changes having been proposed by Hon. Erastus Kivasu Nzioka, MP and seconded by Hon. Dr. Christine Ombaka Oduor, MP.

1. Local Authorities Provident Fund - 2019/20, 2020/2021 and 2021/2022
2. Parliamentary Mortgage Fund - 2020/2021 and 2021/2022

3. Parliamentary Car Loan Fund - 2020/2021 and 2021/2022
4. Parliamentary Catering Fund - 2020/2021 and 2021/2022

MIN. NA/AA&SC-SFAC/2023/075: ANY OTHER BUSINESS

The Committee proposed a report writing retreat in Mombasa beginning 10th September 2023 to 16th September 2023.

MIN. NA/AA&SC-SFAC/2023/076: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 11.45 p.m. The next meeting will be held on notice.

SIGNED..**DATE**..

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTE