

THE NATIONAL ASSEMBLY  
PAPERS LAD

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TABLED BY: Hon. Erastus Kisumu MP  
Cabinet Chief



Approved  
SNA  
3/12/25

REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT-  
FOURTH SESSION

SPECIAL FUNDS ACCOUNTS COMMITTEE

17TH REPORT ON THE CONSIDERATION OF THE AUDITED  
ACCOUNTS FOR THE FOLLOWING FUNDS-;

1. DIRECTOR OF PUBLIC PROSECUTIONS MORTGAGE AND CAR LOAN SCHEME FUND FOR THE FINANCIAL YEARS 2018/19 TO 2022/2023;
2. KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2018/19 TO 2021/2022;
3. PUBLIC SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2017/18 TO 2022/2023.
4. NATIONAL LAND COMMISSION CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022

DIRECTORATE OF AUDIT APPROPRIATIONS  
& GENERAL PURPOSE COMMITTEES,  
NATIONAL ASSEMBLY  
PARLIAMENT BUILDINGS  
NAIROBI



DECEMBER 2025





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2018/19 TO 2022/2023;**
- 2. KENYA UNIVERSITIES AND COLLEGES CENTRAL  
PLACEMENT STAFF CAR LOAN AND MORTGAGE SCHEME  
FUND FOR THE FINANCIAL YEARS 2018/19 TO 2021/2022;**
- 3. PUBLIC SERVICE COMMISSION STAFF CAR LOAN AND  
MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS  
2017/18 TO 2022/2023.**
- 4. NATIONAL LAND COMMISSION CAR LOAN AND MORTGAGE  
SCHEME FUND FOR THE FINANCIAL YEARS 2020/2021  
AND 2021/2022**

**DIRECTORATE OF AUDIT APPROPRIATIONS  
& GENERAL PURPOSE COMMITTEES,  
NATIONAL ASSEMBLY  
PARLIAMENT BUILDINGS  
NAIROBI**

**DECEMBER 2025**

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

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**List of Abbreviations and Acronyms**

CoK	-	Constitution of Kenya, 2010
FY	-	Financial Year
KUCCPS	-	Kenya Universities and Colleges Central Placement
MDAs	-	Ministries, Departments and Agencies
MOU	-	Memorandum of Understanding
PFM	-	Public Finance Management
OAG	-	Office of the Auditor-General
ODPP	-	Office Director of Public Prosecutions
PSASB	-	Public Sector Accounting Standards Board
PSC	-	Public Service Commission

### **CHAIRPERSON'S FOREWORD**

Hon. Speaker, on behalf of the Special Funds Accounts Committee and under Standing Order 199, it is my pleasant duty and honour to present to the House the 17<sup>th</sup> Report of the Committee on consideration of the reports of the Auditor-General on the audited financial statements for the following Car loan and Mortgage Scheme Funds—

- a) Director of Public Prosecutions Mortgage and Car Loan Scheme Fund for the Financial Years 2018/19 to 2022/2023;
- b) Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022;
- c) Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2017/18 to 2022/2023.
- d) National Land Commission Car loan and Mortgage Scheme 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 is one of the Committees that was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders.

The Committee received both oral and written submissions from the respective Accounting Officers on the audited financial statements for the following Funds:

- a) Director of Public Prosecutions Mortgage and Car Loan Scheme Fund for the Financial Years 2018/19 to 2021/2022;
- b) Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022;
- c) Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2017/18 to 2022/2023.
- d) National Land Commission Car loan and Mortgage Scheme Fund for the Financial Years 2020/2021 and 2021/2022

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The submissions formed the basis of the Committee's 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, 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**

## CHAPTER ONE

### 1.0 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 Honourable Speaker

#### 1.2 Committee Membership

2. The Committee comprises the following members:

S/ N	Name	Constituency	Party
1	Hon. Fatuma Zainab Mohammed, MP ( <b>Chairperson</b> )	Migori (CWR)	Independent
2	Hon. Dawood Abdul Rahim, HSC, MP ( <b>Vice Chairperson</b> )	North Imenti	Independent
3	Hon. Mary Emaase Otucho, MP	Teso South (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 Omanyoo, MP	Busia (CWR)	ODM
11	Hon. Cecilia Asinyen Ngikit, MP	Turkana (CWR)	UDA

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

12	Hon. Erick Kahugu Wamumbi, MP	Mathira	UDA
13	Hon. Joseph Kimutai Chererot, MP	Kipkelion East	UDA
14	Hon. Onchoke Charles Mamwacha, MP	Bonchari	UPA
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. Erick Nyambati	Senior Clerk Assistant
2.	Ms. Comfort Achieng	Clerk Assistant III
3	Mr. Nimrod Mate	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. Derrick Kathurima	Media Relations Officer III
9	Ms. Felistus Muiya	Public Communications Officer III
10	Mr. Peter Mutethia	Hansard Audio Officer III
11	Mr. Joshua Lenambet	Serjeant At Arms

**EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE OFFICE THE DIRECTOR OF PUBLIC PROSECUTIONS MORTGAGE AND CAR LOAN SCHEME FUND FOR FINANCIAL YEARS 2018/2019 TO 2021/2022**

4. Mr. Renson Ingonga, the Director of Public Prosecutions, appeared before the Committee on Tuesday 22<sup>nd</sup> July 2025 to adduce evidence on the audited financial statements for the, Office of Director of Public Prosecutions Mortgage and Car Loan Scheme Fund for the Financial Years 2018/19 to 2021/2022. During the meeting, the Accounting Officer was accompanied by:

- |                          |   |                       |
|--------------------------|---|-----------------------|
| 1. Ms. Mediatrix Rapando | - | DHRM ODPP             |
| 2. Ms. Zuwene Zainabu    | - | Prosecutions CA.      |
| 3. Mr. Hassan Abdi       | - | ODPP.                 |
| 4. Mr. Alloys Kemo       | - | ODPP PTI              |
| 5. Ms. Jacinta Nyamosi   | - | Deputy Director.      |
| 6. Mr. Nkaduda Hiribae   | - | Deputy Director, CFS. |
| 7. Mr. Michael Sang      | - | CA & RP               |
| 8. Ms. Christine Gakoso  | - | PTI.                  |
| 9. Ms. Irene Mobangi     | - | ODPP Finance          |
| 10. Mr. Geoffrey Obiro   | - | EI & OC               |
| 11. Mr. Kioko Maundu     | - | SA ODPP               |
| 12. Mr. Martin Aoko      | - | ODPP                  |
| 13. Mr. Frankword Dauddo | - | SA ODPP               |

**Financial Year 2018/2019**

**1) Misleading Disclosures on Budget information in the Financial Statements.**

5. Part (b) on budget information of the disclosures under summary of significant accounting policies – paragraph three at page 12 indicates that, “a statement to reconcile the actual amounts on a comparable basis included in the statement of comparison budget and actual amounts and the actuals as per the statement of financial performance has been presented under 9 of the financial statements”. However, no reconciliation statement has been presented at page 9 of the financial statements.

**Submissions of the Accounting Officer**

6. The Accounting Officer submitted that—

It a was typing error since the accounting policy was not applicable as the amounts in the financial performance agreed to the figures in the statement of budget and actual amounts.

**Observations of the Committee**

7. The Committee observed that—

- i) The Fund did not provide the report containing reconciliation statements.**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

**8. The Committee recommended that within three months upon the adoption of this report—**

- i) The Fund to provide requisite reconciliations to the Office of the Auditor General for audit verification.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**2) Unexplained variance in Current Assets.**

**9. The statement of financial position reflects total current assets balance of Kshs. 143,407,731 while the recomputed amount is Kshs.143,557,731 resulting to an unexplained variance of Kshs.150,000.00. Consequently, the accuracy of the current assets balance as at 30 June, 2019 could not be confirmed.**

**Submissions of the Accounting Officer**

**10. The Accounting Officer submitted that—**

The actual correct amount of cash and cash equivalent as at 30 June, 2019 was Kshs.131,888,808. A staff by the name Jacob Bartoney applied for a mortgage loan amount of Kshs.3,650,000 and was issued with a loan of Kshs.3,650,000. However, during capturing of the figure in the cash book and in the accounts receivables the amount was captured as Kshs.3,500,000. The error was corrected in the following year's financial statements of the 2019/2020 opening balances.

**Observations of the Committee**

**11. The Committee observed that—**

- i) There was an unexplained variance of Kshs.150,000.00 between the current assets balance and recomputed amount**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

**12. The Committee recommended that**

- i) **Within three months of adoption of this report—**
  - a) **The Accounting Officer to provide supporting documents to explain the variance of Kshs. 150,000.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP 412A.**
- ii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

### **3) Cash and Cash Equivalents**

#### **3.1 Failure to Support the balance with a board of survey report.**

13. As disclosed in Note 3 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.132,038,808. However, the balance was not supported with a board of survey report as at 30 June, 2019.

#### **Submissions of the Accounting Officer**

14. The Accounting Officer submitted that—

The cash and cash equivalents for the year ended 30<sup>th</sup> June, 2019 of Kshs.132,038,808 was supported with cashbook, bank reconciliations, bank statements and certificate of balances. The board of survey was not conducted during the year. Subsequently the management ensured compliance and this has since been conducted by the board of survey for the year ended 30<sup>th</sup> June, 2023.

#### **Observations of the Committee**

15. The Committee observed that—

- i) **The board of survey report was not provided as required by Regulation 90 of PFM (National Government) Regulations 2015.**
- ii) **The matter is unresolved.**

#### **Recommendations of the Committee**

16. The Committee recommends that—

- i) Within three months upon the adoption of this report the Accounting Officer to provide the board of survey report as required by Regulation 90 of PFM (National Government) Regulations 2015.
- ii) The Cabinet Secretary for National Treasury and Economic Planning to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act.
- iii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

**4) Incomplete Bank Statements**

17. The scheme's staff housing mortgage and asset finance fund accounts had closing balances of Kshs.91,438,329 and Kshs.38,554,086, respectively according to the bank certificates. However, the bank statements provided for audit review reflected lump sum cash receipts (credits) and loan disbursements to beneficiaries (debits) without details on interest income and individual borrower's principal amounts repayment.
18. In addition, individual borrowers loan statements from the bank were not provided for reconciliation with schedules provided for audit by the Scheme Management. In the circumstances, the accuracy and completeness of the cash and cash equivalents balances of Kshs.132,038,808 could not be confirmed.

**Submissions of the Accounting Officer**

19. The Accounting Officer submitted that—

Initially, the Consolidated Bank of Kenya did not avail individual accounts statements citing confidentiality. However, the Fund requested consolidated bank to be crediting the principal amounts to the Fund accounts on a monthly basis. Further, the bank was requested to provide a breakdown of the lump sum amounts and interest income.

**Observations of the Committee**

20. The Committee observed that—

- i) The Fund did not provide individual loan statements from the bank for audit verification.
- ii) The matter is unresolved.

**Recommendations of the Committee**

21. The Committee recommends that—

- i) **Within three months upon the adoption of this report the Accounting Officer to provide the individual bank statements from the bank to the Auditor General for audit verification.**
- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP 412A.**
- iii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **5) Late Submission of Financial Statements**

22. The Scheme's annual report and financial statements for the year ended 30 June, 2018 were submitted to the Auditor-General on 18 August 2022 which was thirty eight (38) months after the statutory deadline of 30 September, 2019. This is contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires the Administrator of a national public fund to prepare and submit the financial statements thereof to the Auditor-General not later than three months after the end of each financial year. In the circumstances, Management was in breach of the law.

#### **Submissions of the Accounting Officer**

23. The Accounting Officer submitted that—

It was acknowledged, albeit regrettably that section 84(3) of PFM Act 2012 was not complied with by the management in the financial year 2018/2019 until 18<sup>th</sup> August 2022.

24. However, from financial year 2021/2022 the fund management has complied. This can be confirmed as the fund management submitted financial statements for the financial year 2021/2022 and 2022/2023 as required by Act.

#### **Observations of the Committee**

25. **The Committee observed that—**

- i) **The Accounting Officer was in breach of Section 84(3) of the Public Finance Management Act, CAP. 412A which requires the Administrator of a national public fund to prepare and submit the financial statements thereof to the Auditor-General not later than three months after the end of each financial year**
- ii) **The Matter is unresolved.**

#### **Recommendations of the Committee**

26. **The Committee recommends that—**

- i) **The Accounting Officer should ensure timely submission of financial statements as per the provisions of Section 84(3) of the Public Finance Management Act, CAP. 412A.**
- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**

**6) Unaccounted for Principal Amount Repaid.**

27. A review of the loan repayment schedule and as disclosed under Note 4 to the financial statements revealed that amounts of Kshs.6,251,222 and Kshs.3,036,282 both totaling Kshs.9,287,504 in respect of car loan and mortgage loan were deducted as the principal amount recovered and remitted to the Consolidated Bank of Kenya. However, a review of the bank statements shows that a lump sum principal repayment of Kshs.6,537,415 was credited to staff mortgage account Kshs. 2,188,329 and asset finance fund account Kshs.4,349,086 on 10<sup>th</sup> April, 2019 resulting to unaccounted for balance of Kshs.2, 750,089.
28. However, the Management did not disclose any lien account where the remaining amount was held pending crediting to the Scheme's accounts. In the circumstances, regularity in the use of the principal amount repaid could not be confirmed.

**Submissions of the Accounting Officer**

**29. The Accounting Officer submitted that—**

Up until July 2023, Consolidated Bank of Kenya had not been having a clear way of crediting back the principal payments. They had been crediting ODPP's account without particulars of the amount and therefore difficult to reconcile the amounts. The Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to our fund accounts on a monthly basis.

30. Further they had been requested to provide a breakdown of the lump sum amounts This was evident as they had started crediting the bank accounts on monthly basis from the month of July, 2023. In addition, Office of the Director of Public Prosecutions maintained a Lien account in Consolidated Bank of Kenya or any other Financial Institution.

**Observations of the Committee**

**31. The Committee observed that—**

- i) **The bank statements disclosed an unaccounted-for balance of Kshs.2, 750,089.**
- ii) **The matter is unresolved.**

**Recommendations of the Committee**

**32. The Committee recommended that—**

- i) **Within three months upon the adoption of this report**

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

- a) the Accounting Officer to reconcile and account for the balance of Kshs.2,750,089 and submit evidence to the Auditor General for audit verification
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

**Financial Year 2019/2020**

**1. Inaccuracy of Comparative Figures in Financial Statements.**

**a) cash and cash equivalents**

33. The statement of financial position reflects cash and cash equivalents comparative figure of Kshs.131,888,808 instead of the balance of Kshs. 132,038,808 reflected in the financial statements for the year ended 30 June, 2019.

**Submissions of the Accounting Officer**

34. The Accounting Officer Submitted that—

A loan for one beneficiary i.e. Jacob Bartoney was captured less Kshs.150,000.00 and this has since been corrected by a journal that was passed to effect the changes. The comparative figure of sh. 150,000 which was the difference of shs.131,888,808 and shs132,038,808 has been rectified in the Journal Voucher.

**Observations of the Committee**

**35. The Committee observed that—**

- i) There was an unexplained variance of Kshs.150,000.00 between the current assets balance and recomputed amount; and
- ii) The matter is unresolved.

**Recommendations of the Committee**

**36. The Committee recommended that—**

- i) Within three months upon the adoption of this report
  - a) the Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification

- b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**b) long term receivables**

- 37. The statement of financial position also reflects long term receivables – staff mortgage and car loan comparative figure of Kshs. 106,592,269 instead of the balance of Kshs. 106,442,269 reflected in the financial statements for the year ended 30 June, 2019.**

**Submissions of the Accounting Officer**

- 38. The Accounting Officer Submitted that—**

A loan for one beneficiary i.e. Jacob Bartoney was captured less Kshs. 150,000 and this has since been corrected by a journal that was passed to effect the changes. The comparative figure of Ksh.150,000 difference of kshs.106,592,269 and kshs.106,442,269 has been rectified in the journal voucher annexed in the Management responses.

**Observations of the Committee**

- 39. The Committee observed that—**

- i) The supporting documentation to reconcile the variance of Kshs. 150,000 were not provided for audit verification.**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

- 40. The Committee recommended that—**

- i) Within three months upon the adoption of this report—**
  - a) Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**c) cash and cash equivalents**

- 41.** The statement of cash flows reflects cash and cash equivalents comparative figure of Kshs. 131, 888,808 instead of the balance of Kshs. 132,038,808 reflected in the financial statements for the year ended 30 June, 2019. In addition, it reflects the reporting year end as 30 June, 2019 instead of 30 June, 2020.

**Submissions of the Accounting Officer**

- 42.** The Accounting Officer Submitted that—

A loan for one beneficiary i.e. Jacob Bartoney was captured less Kshs. 150,000 and this has since been corrected by a journal that was passed to effect the changes. The comparative figure of Kshs.150,000 difference of kshs.132,038,808 and kshs.131,888,808 has been rectified in the journal voucher annexed in the Management responses. Further, the reference to the reporting year ending 2019 is a typographical error as the year ended on 30<sup>th</sup> June 2020.

**Observations of the Committee**

- 43.** The Committee observed that—

- i) The supporting documentation to reconcile the variance of Kshs. 150,000 were not provided for audit verification.**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

- 44.** The Committee recommended that—

- i) Within three months upon the adoption of this report**
  - a) The Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**d) statement of cash flows**

- 45.** The statement of cash flows in addition reflects the comparative figure for the loans issued as Kshs. 63,045,000 instead of Kshs. 62,895,000 reflected in the financial statements for the year ended 30 June, 2019.

**Submissions of the Accounting Officer**

46. The Accounting Officer Submitted that—

The difference in the statement of cash flows for the loans issued between Ksh.63,045,000 and Ksh. 62,895,000 arises from a loan of one beneficiary i.e Jacob Bartoney which was captured less the Ksh. 150,000. This has since been corrected by a journal voucher that was passed to effect the changes.

**Observations of the Committee**

47. The Committee observed that—

- i) The supporting documentation to reconcile the variance of Kshs. 150,000 were not provided for audit verification; and
- ii) The matter is unresolved.

**Recommendations of the Committee**

48. The Committee recommended that—

- i) Within three months upon the adoption of this report the Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

**e) Net cash flows**

49. The comparative figure for net cash flows from financing activities is reflected as Kshs. 11,955,000 instead of Kshs. 12,105,000 while the net increase in cash and cash equivalents reflected as Kshs. 21,242,504 instead of Kshs. 21,392,504 contrary to the balances reflected in the financial statements for the year ended 30 June, 2019.

**Submissions of the Accounting Officer**

50. The Accounting Officer Submitted that—

The difference in the statement of cash flows for financing activities and net increase in cash and cash equivalents arises from a loan of one beneficiary i.e Jacob Bartoney which was captured less the Ksh. 150,000. This has since been corrected by a journal voucher that was passed to effect the changes.

**Observations of the Committee**

51. The Committee observed that—

- i) The supporting documentation to reconcile the variance of Kshs. 150,000 were not provided for audit verification; and

- ii) **The matter is unresolved.**

**Recommendations of the Committee**

**52. The Committee recommended that—**

- i) **Within three months upon the adoption of this report—**
  - a) **The Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**f) Disclosure on long term receivables**

- 53.** Disclosure in Note 6 to the financial statements on long term receivables-staff mortgage reflects a comparative figure of Kshs. 80,832,499 instead of Kshs. 80,682,499 reflected in the financial statements for the year ended 30 June, 2019. In the circumstances, the accuracy of the comparative figures reflected in the financial statements could not be confirmed.

**Submissions of the Accounting Officer**

**54. The Accounting Officer Submitted that—**

The difference in the financial statements on long term receivables – staff Mortgage between Ksh.80,682,499 and Ksh. 80,682,499 is as a result of a loan for one beneficiary i.e Jacob Bartoney which was captured less the Ksh.150,000. This has since been corrected by a journal voucher that was passed to effect the changes.

**Observations of the Committee**

**55. The Committee observed that—**

- i) **The supporting documentation to reconcile the variance of Kshs. 150,000 were not provided for audit verification.**
- ii) **The matter is unresolved.**

**Recommendations of the Committee**

**56. The Committee recommended that—**

- i) **Within three months upon the adoption of this report**
  - a) **The Accounting Officer to provide supporting documentation to reconcile the variance of Kshs. 150,000 to the Auditor General for audit verification.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**

- ii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

## **2. Cash and Cash Equivalents**

### **2.1 Failure to Support the Balance with a Board of Survey Report**

57. As disclosed in Note 3 to the financial statements, the statement of financial position reflects cash and cash equivalents of Kshs.173,199,245. However, the balance was not supported with a board of survey report as that date.

### **Submissions of the Accounting Officer**

58. The Accounting Officer Submitted that—

The board of survey was not conducted during the year. However, the cash and cash equivalent for the year ended 30<sup>th</sup> June, 2020 of Kshs.173,199,245 was supported with cashbook, certificate of balances, and bank reconciliations. Subsequently, the management has ensured compliance and a board of survey for the year ended 30<sup>th</sup> June, 2023 was conducted.

### **Observations of the Committee**

59. The Committee observed that—

- i) **The board of survey report was not provided required by Regulation 90 of PFM (National Government) Regulations 2015.**
- ii) **The matter is unresolved.**

### **Recommendations of the Committee**

60. The Committee recommends that—

- i) **Within three months upon the adoption of this report**
  - a) **The Accounting Officer to provide the board of survey report as required by Regulation 90 of PFM regulations 2015.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

## **2.2 Incomplete Bank Statements**

61. The scheme's staff mortgage and staff car loan accounts held at Consolidated Bank of Kenya had closing balances of Kshs.33,054,086 and Kshs.120,238,320 as at 30 June, 2020, respectively according to the bank certificates. However, the bank statements provided for audit review reflected lump sum cash receipts (credits) and loan disbursements to beneficiaries (Debits) without details on interest income and individual borrower's principal amounts repaid. Further, individual loan statements from the bank were not provided for reconciliation with schedules provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalents balances of Kshs.173,349,245 could not be confirmed.

### **Submissions of the Accounting Officer**

56. The Accounting Officer Submitted that—

Initially, the Consolidated Bank of Kenya did not avail individual accounts statements citing confidentiality. The Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis. Further they had been requested to provide a breakdown of the lump sum amounts and interest. This was evident as they had started crediting their bank accounts on monthly basis from the month of July 2023. Further individual bank statements had also been provided.

### **Observations of the Committee**

57. The Committee observed that—

- i) The Fund did not provide individual loan statements from the bank for audit verification; and**
- ii) This matter is unresolved.**

### **Recommendations of the Committee**

58. The Committee recommends that—

- i) Within three months upon the adoption of this report the Accounting Officer to provide the individual bank statements from the bank for audit verification.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance**

**with regulation 101 (4) of the public finance management (National Government) Regulations.**

**3. Late Submission of Financial Statements**

59. The Scheme's annual report and financial statements for the year ended 30 June, 2020 were submitted to the Auditor-General on 12 August 2022 which was twenty-two (22) months after the statutory deadline of 30 September, 2020. This is contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires the Administrator of a national public fund to prepare and submit the financial statements thereof to the Auditor-General not later than three months after the end of each financial year. In the circumstances, Management was in breach of the law.

**60. Observations of the Committee**

- i) The Accounting Officer was in breach of Section 84(3) of the Public Finance Management Act, Cap. 412A which requires the Administrator of a national public fund to prepare and submit the financial statements thereof to the Auditor-General not later than three months after the end of each financial year; and**
- ii) The Matter is unresolved.**

**Recommendations of the Committee**

**62. The Committee recommends that—**

- i) The Accounting Officer should ensure timely submission of financial statements as per the provisions of Section 84(3) of the Public Finance Management Act, Cap. 412A**
- ii) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**

**4. Failure to Credit Scheme's Account with Principal Paid.**

61. A review of the loan repayment schedule and as disclosed under Note 4 to the financial statements revealed that an amount of Kshs.15,610,436 was deducted as the principal amount and remitted to the bank during the year ended 30 June, 2020. However, a review of the bank statements revealed that the principal repayment was not credited to the Scheme's accounts as at 30 June, 2020. Further, the bank did not disclose any alien account where the funds were held pending crediting to the Scheme's accounts. In the circumstances, the regularity in use of the principal amount repaid could not be confirmed.

**Submissions of the Accounting Officer**

61. The Accounting Officer Submitted that—

Up until July 2023, Consolidated Bank of Kenya had not been having a clear way of crediting back the principal payments to their account. They had been crediting ODPP's account without particulars of the amount and therefore making it difficult to reconcile the amounts. The Office

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vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis.

62. Further they had been requested to provide a breakdown of the lump sum amounts. This was evident as they had started crediting their bank accounts on monthly basis from the month of July 2023. Further individual bank statements had also been provided. In addition, he clarified that Office of the Director of Public Prosecutions does not maintain any Lien account in Consolidated Bank of Kenya.

### Observations of the Committee

63. The Committee observed that—

- i) The bank statements revealed that the principal repayment of Kshs.15,610,436 was not credited to the Scheme's accounts as at 30 June, 2020.
- ii) The matter is unresolved.

### Recommendations of the Committee

64. The Committee recommended that—

- i) Within three months upon the adoption of this report
  - a) The Accounting Officer to reconcile and account for the principal repayment of Kshs.15,610,436 and submit evidence to the Auditor General for audit verification
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

## Financial Year 2020/2021

### 1. Cash and Cash Equivalents

#### 1.1 Failure to Support the Balance with a Board of Survey Report

65. As disclosed in Note 3 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.145,526,311. However, the balance was not supported by a board of survey report as at that date.

### Submissions of the Accounting Officer

66. The Accounting Officer Submitted that—

The board of survey was not conducted during the year. However, the cash and cash equivalents for the year ended 30<sup>th</sup> June, 2021 of Kshs.145,526,311 was supported with

cashbook, bank reconciliations, bank statements and certificate of balances. Subsequently the management ensured compliance and this had since been corrected with a board of survey for the year ended 30<sup>th</sup> June, 2023.

#### **Observations of the Committee**

##### **67. The Committee observed that—**

- i) The board of survey report was not provided as required by Regulation 90 of PFM (National Government) Regulations 2015; and**
- ii) The matter is unresolved.**

#### **Recommendations of the Committee**

##### **68. The Committee recommends that—**

- i) Within three months upon the adoption of this report**
  - a. the Accounting Officer to provide the board of survey report as required by Regulation 90 of PFM regulations 2015.**
  - b. The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **1.2 Incomplete Bank Statements.**

69. The Scheme's staff mortgage and staff car loan accounts are held in Consolidated Bank of Kenya with closing balances of Kshs.98,799,622 and Kshs.32,850,888 respectively according to the bank certificates. However, the bank statements provided reflect lump sum cash receipts (credits) and loan disbursements to beneficiaries (debits) without details on interest income and individual borrowers' principal amount repaid.

70. Further, individual loan statements from the bank were not provided for reconciliation with schedules provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.145, 526, 311 could not be confirmed.

#### **Submissions of the Accounting Officer**

##### **71. The Accounting Officer Submitted that—**

Initially, Consolidated Bank of Kenya did not avail individual accounts statements citing confidentiality. However, the Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis. Further, they had been requested to provide a breakdown of the lump sum amounts and interest income.

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

This was evident as they had started crediting our bank accounts on monthly basis from the month of July, 2023. Further individual bank statements had also been provided.

### **Observations of the Committee**

#### **72. The Committee observed that—**

- i) The Fund did not provide individual loan statements from the bank for audit verification; and**
- ii) This matter is unresolved.**

### **Recommendations of the Committee**

#### **73. The Committee recommends that—**

- i) Within three months upon the adoption of this report the Accounting Officer to provide the loan statements and individual borrowers statements from the bank for audit verification.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **2. Unreconciled Principal Amount Credited to the Scheme's Accounts.**

74. A review of the loan repayment schedule and as disclosed under Note 4 to the financial statements reveal that an amount of Kshs.26,406, 511 was deducted as the principal amount and remitted to the bank in the year ended 30<sup>th</sup> June 2021. However, a review of the bank statements revealed the principal repayment of Kshs. 31, 587, 539 was credited to the Scheme's account during the year ended 30<sup>th</sup> June 2021 resulting in an unreconciled difference of Kshs. 5,181,028. In the circumstances, the accuracy and completeness of the principal amount paid of Kshs.26,406,511 could not be confirmed.

### **Submissions of the Accounting Officer**

#### **75. The Accounting Officer Submitted that—**

Up until July 2023, Consolidated Bank of Kenya had not been having a clear way of crediting back the principal payments back to our account. They had been crediting ODPP's account without particulars of the amount and therefore difficult to reconcile the amounts. The Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis. Further they had been requested to provide a breakdown of the lump sum amounts. This was evident as they had started crediting our bank

accounts on monthly basis from the month of July, 2023. Individual bank statements had been provided.

#### **Observations of the Committee**

##### **76. The Committee observed that—**

- i) The bank statements revealed that the principal repayment of Kshs. 31, 587, 539 was credited to the Scheme's account resulting in an unreconciled difference of Kshs. 5,181,028; and**
- ii) The matter is unresolved.**

#### **Recommendations of the Committee**

##### **77. The Committee recommended that—**

- i) Within three months upon the adoption of this report**
  - a. the Accounting Officer to reconcile and account for the principal repayment of Kshs. 31, 587, 539 and submit evidence to the Auditor General for audit verification.**
  - b. The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **Financial Year 2021/2022**

##### **1. Cash and Cash Equivalents**

##### **1.1 Unsupported Cash and Cash Equivalents.**

78. The statement of financial position as disclosed in Note 3 to the financial statements reflects the cash and cash equivalents balance of Kshs.253,450,166 as at 30 June 2022. However, the balance was not supported with a board of survey report.

#### **Submissions of the Accounting Officer**

##### **79. The Accounting Officer Submitted that—**

The board of survey was not conducted during the year. However, the cash and cash equivalents for the year ended 30<sup>th</sup> June, 2022 of Kshs.253,450,166 was supported with cashbook, bank reconciliations, bank statements and certificate of balances. The management had since ensured compliance as per the board of survey for the year ended 30<sup>th</sup> June, 2023.

#### **Observations of the Committee**

**80. The Committee observed that—**

- i) The board of survey report was not provided as required by Regulation 90 of PFM (National Government) Regulations 2015; and
- ii) The matter is unresolved.

**Recommendations of the Committee**

**81. The Committee recommends that—**

- i) Within three months upon the adoption of this report
  - a. The Accounting Officer to provide the board of survey report as required by Regulation 90 of PFM regulations 2015.
  - b. The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

## **2. Incomplete Bank Statements**

82. Bank certificates provided for audit review indicated that the Scheme's staff Housing Mortgage and Car Loan accounts held at Consolidated Kenya had closing balances of Kshs.89,373,122 and Kshs.48,872,102, respectively. Bank statements provided for audit review reflects lump sum cash receipts (credits) and loan disbursements to beneficiaries (debits) without details on interest income and individual borrowers' principal amount repaid.
83. Further, individual loan statements from the bank were not provided for reconciliation with schedules provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalents balances of Kshs.253,450,160 could not be confirmed.

## **Submissions of the Accounting Officer**

**84. The Accounting Officer Submitted that—**

Initially, Consolidated Bank of Kenya did not avail individual accounts statements citing confidentiality, however, the Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis. Further, they had been requested to provide a breakdown of the lump sum amounts and interest income. This was evident as they had started crediting their bank accounts on monthly basis from the month of July, 2023. Further individual bank statements have also been provided.

## **Observations of the Committee**

**85. The Committee observed that—**

- i) **The Fund did not provide individual loan statements from the bank for audit verification; and**
- ii) **This matter is unresolved.**

**Recommendations of the Committee**

**86. The Committee recommends that—**

- i) **Within three months upon the adoption of this report the Accounting Officer to provide the loan statements and individual borrowers statements from the bank for audit verification.**
- ii) **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations**

**3. Unreconciled Difference in the Principal Paid.**

87. A review of the loan repayment schedule and as disclosed under Note 4 to the financial statements revealed that a principal amount of Kshs.33,261,348 while in the prior year, the principal amount paid of Kshs.18,386,138 was unaccounted for resulting to a credit of Kshs.51,647,486. However, a review of the bank statements revealed that principal repayment of Kshs. 44,860,819 was credited to the Scheme's accounts during the year ended 30 June, 2022 resulting to unreconciled difference of Kshs.6,786,667. In the circumstances, the accuracy and completeness of the principal amount paid of Kshs.33,261,348 for the year ended 30 June, 2022 could not be confirmed.

**Submissions of the Accounting Officer**

88. The Accounting Officer Submitted that—

Up until July 2023, Consolidated Bank of Kenya had not been having a clear way of crediting back the principal payments back to their account. They had been crediting ODPP's account without particulars of the amount and therefore difficult to reconcile the amounts.

The Office vide a letter dated 2<sup>nd</sup> August 2022 requested consolidated bank to be crediting the principal amounts to their fund accounts on a monthly basis. Further they had been requested to provide a breakdown of the lump sum amounts. This was evident as they had started crediting their bank accounts on monthly basis from the month of July 2023. Further individual bank statements have also been provided.

**Observations of the Committee**

**89. The Committee observed that—**

- i) The bank statements revealed that the principal repayment of Kshs. 44,860,819 was credited to the Scheme’s account resulting in an unreconciled difference of Kshs.6,786,667; and**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

**90. The Committee recommended that—**

- i) Within three months upon the adoption of this report**
  - a. the Accounting Officer to reconcile and account for the principal repayment of Kshs. 6,786,667 and submit evidence to the Auditor General for audit verification.**
  - b. The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.**
- ii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR FINANCIAL YEARS 2018/2019 TO 2021/2022**

95. Ms. Agnes Mercy Wahome, the Chief Executive Officer, Kenya Universities and Colleges Central Placement appeared before the Committee on Tuesday 20<sup>th</sup> February and Wednesday 5<sup>th</sup> November, 2024 to adduce evidence on the audited financial statements for the, Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022. During the meeting, the Accounting Officer was accompanied by:

1. Mr. Michael Kimani - Finance Manager
2. Mr. Eric Asande - Senior Accountant

**Financial Year 2018/2019**

**1. Inaccuracies in Financial Statements**

**1.1 Statement of Cash Flow**

96. The statement of cash flow reflects cash and cash equivalent of an amount of Kshs 139,412,583. However, casting the accuracy and review of statements revealed that the cash equivalent as at 1 July, 2018 was not included resulting to understatements of an amount of Kshs 156,655,556 was not explained. In circumstances, the accuracy and completeness of the cash and cash equivalents of an amount of Kshs 139,412,583 could not be confirmed.

**Submissions by the Accounting Officer**

97. The Accounting Officer submitted that—

The Cash flow was prepared under the direct method as recommended by the Public Sector Accounting Board, in which one starts with the opening balance at the beginning of the year, reflecting the cash flows to arrive at the cash position as at the end of the period or year. The amount of Kshs 156,655,583 was the balance as at 30 June 2018 and therefore the opening balance for the Financial Year 2018/2019 as at 1<sup>st</sup> July 2018. The period had a net cash outflow of Kshs 17,242,973 resulting to a reduced cash position of Kshs 139,412,583 as at 30<sup>th</sup> June 2019 as computed below.

Cash and cash equivalent 1/7/2018	Kshs 156,655,556
Net decrease in cash and cash equivalent	Kshs (17,242,973)
Cash and cash equivalent 30/6/2019	<b>Kshs 139,412,583</b>

**Observations of the Committee**

98. The Committee observed that—

- i) The accuracy and completeness of the cash and cash equivalents of an amount of Kshs 139,412,583 was confirmed and
- ii) The matter is resolved.

**1.2 Statement of financial Performance**

99. Review of the statement of financial performance revealed a nil balance in respect of 3% commission on service providers. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of 3% commission on service provider could not be confirmed.

**Submissions by the Accounting Officer**

The Accounting Officer submitted that—

100. The HFC bank account opened and operated as deposit account for advancing the house mortgage and car loans to the Placement Service staff. The account does not attract bank charges but management negotiated with the bank to earn some interest on unutilized funds. The bank withholds 15% on interest earned and the same is remitted to Kenya Revenue Authority as required by law.
101. The amount of Kshs 329,644 was part of the withheld tax on interest earned on the unutilized deposit fund. The Placement Service treated the withheld tax as a prepayment until the same is claimed while making annual returns after the year end. She explained that the Placement Service does not incur expenses to operate the HFC bank account instead the staff incur an administration expense which is directly recovered from them and remitted with monthly mortgage and car loan instalments.

**Observations of the Committee**

102. The Committee observed that—

- i) The bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance
- ii) Management treated the withheld tax as a prepayment however; the amount was not reflected in the statement of financial position.
- iii) The Matter is unresolved.

**Recommendations of the Committee**

103. The Committee recommends that—

- i) Within three months upon adoption of this report, the Accounting Officer must provide a report with supporting Documentation on the Kshs.329,644 that was not

reflected in the statement of financial position to the Committee and to the Office of the Auditor General for audit verification.

- ii) The Accounting Officer should ensure 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, 2015 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.

## 2. Late submission of financial statements

104. The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30<sup>th</sup> June, 2019 were submitted to the Auditor-General on 27 March, 2023, forty-five (45) months after the statutory deadline to submit of 30 September, 2019. This was contrary to section 47(1) of the public Audit Act, CAP.412B which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, CAP.412A and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. In the circumstances, Management was in breach of the law.

### Submissions by the Accounting Officer

105. The Accounting Officer submitted that—

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2019, which were submitted by 30 September 2019 to Auditor General for audit as required. At that time, there were no guideline from Public Sector Accounting Standards Board that the Mortgage accounts should be submitted separately. The Placement Service therefore did not prepare separate financial statement for Staff Mortgage and Car loan scheme annual report and financial statements and continued preparing consolidated financial statements.

106. Upon the release of the guidelines and templates for preparation of separate financial statements, the Placement Service prepared the Annual Reports and Financial Statement for the year ended 30 June 2022 and submitted by 30 September 2022 as required by the law. The Office of the Auditor General guided that we prepare the Financial Statements for the earlier years.

### Observations of the Committee

107. The Committee observed that—

- i) The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

ii) **The Matter is unresolved.**

**Recommendations of the Committee**

108. **The Committee recommends that—**

**The Accounting Officer should ensure timely submission of financial statements as per the provisions of Section 47(1) of the Public Audit Act, CAP.412B.**

**3. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements.**

109. The Fund submitted the financial statements for audit during the year the under review. However, inconsistencies on the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the Financial Statements, Chairman's Report and Staff Mortgage and Car Loan Scheme Committee Report. In addition, the Statement of Change in Net Assets presented the balances of the previous year and not the year under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

**Submissions by the Accounting Officer**

110. The Accounting Officer submitted that—

The chief executive officer who was also the scheme administrator in office in 2018/2019 was John Muraguri and the financial statement were prepared in 2023 when Dr. Agnes Mercy Wahome was in office and therefore signed the annual report and financial statements. The chairman of the Car Loan and Mortgage Scheme in office in 2018/2019 was Michael Kimani and the financial statement were prepared in 2023 when Ms. Christine Mwaka was in office and therefore signed the annual report and financial statements.

111. Michael Kimani signed the Financial Statements as the Accountant and not as the Chairman since he had ceased being the Chairman. The Legal Manager and the Corporation Secretary in 2018/2019 was Ms. Edna Adala who had since left the institution while Ms. Faith Kaluai was in office in 2023 when the statement was prepared and therefore signed. The above was disclosed in the notes to the financial statement to inform the readers.

**Observations of the Committee**

112. **The Committee observed that—**

- i. **Due to the changes in Management from 2018 to 2023, Management has clarified the positions of the officials signing the financial statements.**
- ii. **The current fund administration committee members were signing the annual report and financial statement as required in the subsequent years.**
- iii. **The matter is resolved.**

**Financial Year 2019/2020**

**1. Inaccuracies in the Financial Statements**

**1.1 Cash and cash Equivalents**

113. As disclosed in Note 9 to the financial statements of financial position reflects two (2) bank account balances of Kshs 111,233,937 in respect of cash and cash equivalents. However, review of certificate of bank balances for audit revealed 4 (four) bank accounts balances totalling to Kshs 176,307,448 resulting to unexplained and unreconciled variance of Kshs 65,073,511.

**Submissions by the Accounting Officer**

114. The Accounting Officer submitted that—  
The National Treasury required that all public institutions seek and receive approval from the National Treasury for operation of bank accounts. The Placement Service sought and was granted approval to open and operate bank accounts with the HFC Bank for its Car Loan and House Mortgage and the letters of approvals are annexed in the Management Responses. She explained that the bank operates two other accounts for tracking the loans advanced to the Placement Service staff.
115. These accounts are called Backup accounts and whenever a staff loan is advanced, the backup is credited with equal amount and the account is adjusted periodically as the loan portfolio is increased or decreased by payments. The Backup account is mirrored by the staff debtors which is reflected in the Statement of Financial Position. In 2019, the debtors were Kshs 64,406,935 as reported in the Statement of Financial Position and reflected on note 11 to the Notes to the Financial Statement while the backup accounts reflected Kshs 65,073,511. This was a temporary timing difference.
116. Kshs 176,307,448 was the total cash amount deposited with the HFC bank together with the interests earned and received from the unutilized deposit before any loans advanced to staff as at 30 June 2020.

**Observations of the Committee**

117. The Committee observed that—
- i. Bank balances for audit revealed 4 (four) bank accounts balances totalling to Kshs 176,307,448 resulting to unexplained and unreconciled variance of Kshs 65,073,511.
  - ii. Management only disclosed bank balances for two accounts, Mortgage Kshs. 81,550,074 and Car loan Kshs. 29,683.863 respectively and
  - iii. The Matter is unresolved.

**Recommendations of the Committee**

118. The Committee recommends that—

- i) Within three months upon the adoption of this report the Accounting Officer must submit bank reconciliations to support the variance amounting to Kshs 65,073,511 for audit verification
- ii) The Cabinet Secretary for National Treasury and Economic Planning to institute disciplinary action against the accounting officer in line with Section 74 of the PFM Act.
- iii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

### 1.2 Statements of Financial Position

119. The statement of financial position reflects revenue reserve of an amount of Kshs 7,153,313 which is at variance with accumulated surplus of an amount of Kshs 25,640,873 reflected in the statement of changes in net asset resulting an amount of unexplained and unreconciled variance of Kshs 18,487,555. In the circumstances, the accuracy and completeness of the accumulated of an amount of KShs. 7,153,313 could not be confirmed.

#### Submissions by the Accounting Officer

120. The Accounting Officer submitted that—

The amount of Kshs 7,153,313 posted in the statement of financial position is the net revenue for the year and not the same as the accumulated revenue reserve of Kshs 25,640,873 as reflected in the statement of changes in net assets. This reporting format was revised and the amounts were reported as accumulated surplus instead of net revenue for the period.

#### Findings and Observations of the Committee

The Committee observed that—

- i) The statement of changes in net asset indicates an amount of unexplained and unreconciled variance of Kshs 18,487,555.
- ii) No correction had been made to have reserves, accumulated surplus and car loan and mortgage fund reported separately as per the template issued by the Public Sector Accounting Standard Board.
- iii) The matter is unresolved.

#### Recommendations of the Committee

121. The Committee recommends that—

- i) Within three months upon the adoption of this report the Accounting Officer must submit supporting information to reconcile the variance amounting to Kshs 18,487,555 to the Auditor General for audit verification.
- ii) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line section with 74.

- iii) The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

### **1.3 Statement of Financial Performance**

122. Review of the statement of financial performance revealed a nil balance in respect of 3% commission on service provider. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of 3% commission on service provider could not be confirmed.

#### **Submissions by the Accounting Officer**

123. The Accounting Officer submitted that—

The HF bank was opened and operated as deposit account for the purpose of advancing the car loans and house mortgages to the Placement Service staff. The account does not attract bank charges but earns interest on unutilized funds. The bank withholds 15% on interest earned and the same is remitted to Kenya Revenue Authority as required by law. The Placement Service treats amount is treated as a prepayment until the same is claimed while making annual returns after the year end. The Placement Service does not incur expenses to operate the HF bank account instead the staff incur an administration expense which is directly recovered from them and remitted with monthly car loan and house mortgage instalments.

#### **Observations of the Committee**

124. The Committee observed that—

- i) The bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance**
- ii) Management explained that they treated it as a prepayment however, the amount had not reflected in the statement of financial position.**
- iii) The Matter is unresolved.**

#### **Recommendations of the Committee**

125. The Committee recommends that—

- i) Within three months upon adoption of this report, the Accounting Officer must provide a report with supporting Documentation on the Kshs. 329,644 that was not reflected in the statement of financial position to the Committee and to the Office of the Auditor General for audit verification.**

- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line section with 74.**
- iii) **The Accounting Officer should ensure 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, 2015 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.**

## **2.Unsupported Disbursed Loans**

126. Statement of financial position reflects balances of Kshs 64,406,935 in respect of long-term receivable of the staff mortgage and car loans. However, review of the ledger schedules provided for audit review revealed that the management disbursed an amount of Kshs 39,055,435 which included an amount of Kshs 20,532,436 not supported by schedules indicating the name of the beneficiaries. In the circumstances, the accuracy and completeness of the long-term receivables from staff mortgage on car loan balances of Kshs 20,532,436

### **Submissions by the Accounting Officer**

127. The Accounting Officer submitted that—  
Total loans issued to the staff during the year was Kshs 39,055,435 while cumulatively the loans issued as at 30 June 2020 for the staff mortgage and car loan rose to Kshs 64,406,935. The schedule of staff who benefitted with the loans was attached in the Management Responses. She stated that the Loans issued to financial year 2018/2019 was Kshs 29,074,976.

### **Observations of the Committee**

128. **The Committee observed that—**
- i) **The Management has since provided the list of beneficiaries amounting to Kshs. 20,532,426.**
  - ii) **The matter is resolved.**

## **3. Late submission of financial statements**

129. The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30<sup>th</sup> 2020 were submitted to the Auditor-General on 27 March, 2023, thirty-three (33) months after the statutory dateline to submit of 30 September, 2019. This was contrary to section 47(1) of the public Audit Act,2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act,2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year tom which the accounts relate. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

130. The Accounting Officer submitted the following;

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2020, which were submitted by 30 September 2020 to Auditor General for audit as required. At that time, there were no guideline from Public Sector Accounting Standards Board on preparation of separate account and the template to use for the Mortgage accounts.

131. The Placement Service therefore did not prepare separate financial statement for Staff Mortgage and Car loan scheme annual report and financial statements and continued preparing consolidated financial statements. The Office of the Auditor General guided that the Placement Service prepares the Financial Statements for the earlier years.

**Observations of the Committee**

132. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.**
- ii) **The Matter is unresolved.**

**Recommendations of the Committee**

133. The Committee recommends that—

**The Accounting Officer should ensure timely submission of Financial Statements as per the provisions of Section 31(4) of the Public Audit Act, CAP.412B.**

**4. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements.**

134. The Fund submitted the financial statements for audit during the year the under review. However, inconsistencies on the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements ,chairman's report and staff mortgage and car loan scheme committee report.in addition, the statement of change in net assets presented the balances of the previous year and not the under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

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**Submissions by the Accounting Officer**

135. The Accounting Officer submitted that—

After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were in office during the signing of the Financial Statements though they were not responsible for the period's operations. The offices being perpetual, they took over the office and responsibility and therefore signed the statements. This fact was disclosed in the notes to the financial statement as events after balance sheet date.

**Observations of the Committee**

136. The Committee observed that—

- i) Due to the changes in Management from 2018 to 2023, Management has clarified the positions of the officials signing the financial statements.
- ii) The current fund administration committee members were signing the annual report and financial statement as required in the subsequent years.
- iii) The matter is resolved.

**Financial Year 2020/2021**

**1.1 Variance between the financial statement and comparative figures**

137. The Fund's statements of financial position reflect two (2) items that varies with 2019-2020 comparative balances as shown below;

Description	Audited financial statements (2019/2020) Kshs.	Financial statements (2020/2021) Kshs.	Variance Kshs
<i>Accumulated Surplus</i>	7,153,313	25,640,873	18,487,560
<i>Staff Mortgage &amp; Car Loan reserve</i>	168,487,560	150,000,000	(18,487,560)

138. In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

**Submissions by the Accounting Officer**

139. The Accounting Officer submitted that—

The financial statements for the year ended 30 June 2020, the Surplus was reported for the year at Kshs 7,153,313 unlike in 2021 where it was reported cumulatively Kshs 25,640,873

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and seed capital was reported at Kshs 168,487,560 in 2019/2020. In 2020/2021 the seed capital was retained at Kshs 150,000,000 while the surplus was accumulated with the surplus for the year as reported in the statement of financial performance. The cumulative effect is the same but for the users ease of understanding, it is best reported cumulatively. The Staff Mortgage and Car Loan Reserve in 2019/2020 reported both the initial deposit and the previous year's surpluses and the same have been separated for surplus to be accumulated separately as it appears in the statement of Changes in Net asset while the seed capital is separate.

**140. The Committee Observation**

The Committee observed that –

- i) The financial statements for the year ended 30 June 2020, the Surplus was reported for the year at Kshs 7,153,313 unlike in 2021 where it was reported cumulatively at Kshs 25,640,873.
- ii) The seed capital was reported at Kshs 168,487,560 in 2019/2020 and in 2020/2021 the seed capital was retained at Kshs 150,000,000 while the surplus was accumulated with the surplus for the year as reported in the statement of financial performance.
- iii) The matter is resolved.

**1.2 Variance between financial statement and supported ledgers balances**

141. The Fund's statements of financial position reflects two (2) items that varies with ledger schedule balances as shown below;

Description	Audited financial statements Kshs.	ledger Schedules Kshs.	Variance Kshs.
Receivables from Non-Exchange Transactions	150,000,000	69,596,249	80,403,751
Receivables from Exchange Transactions	69,647,830	5,733,020	63,914,810

142. In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

**Submissions by the Accounting Officer**

143. The Accounting Officer submitted that—

The amount of Kshs 150 million, current receivables from non-exchange transactions related to the additional funds committed by the Board towards the Staff Car Loan and Mortgage Scheme and which was outstanding as at 30 June 2021 in the books of the Placement Service main account. The money had been settled as per provided Board Minutes, transfer

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documents and bank statement from both KUCCPS main account and the Staff Car Loan and Mortgage Scheme in the Management responses. On the other hand, Kshs 69,647,830 was the non-current receivables from the exchange transactions (staff debtors) and a schedule of the debtors was attached in the Management responses. The two amounts of receivables are not comparable and therefore reported separately.

144. Kshs 69,647,830 on the other hand was the Non-Current receivables from the exchange transactions staff debtors and withholding tax prepaid of Kshs 51,582. The amount of Kshs 5,733,020 related to the interest income for the period ended 30 June 2021 as reported in the statement of financial performance and disclosed in note 6 of the notes to the financial statements the two amounts are different, properly reported and are not comparable one being in the statement of Financial Performance and the other in the statement of financial position.

### Observations by the Committee

#### 145. The Committee observed that—

- i) **Validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions was confirmed; and**
- ii) **The matter is resolved.**

### 1.3 Cash and Cash Equivalent

146. As disclosed in Note 9 to the financial statements, the statements of financial position reflect two (2) bank account balances of Kshs. 111,777,645 in respect of cash and cash equivalents. However, review of the certificate of bank balance provided for audit revealed 4 (four) bank accounts balances totalling to Kshs.182,040,469 resulting to an unexplained and unreconciled variance of Kshs.70,762,824.

### Submissions by the Accounting Officer

147. The Accounting Officer submitted that—

The Placement Service operated two bank accounts, Fixed Deposit Account Number 2211863401 and Fixed Deposit Car Loan account number 2211863402 as approved by the National Treasury Approval letters from the Treasury are attached in the Management Responses. Bank balance confirmation letter dated 6<sup>th</sup> July 2021 indicated four bank accounts in the name of KUCCPS totalling to Kshs 182,040,469.

148. As indicated in the communication from the HFC bank Letter dated 21 February 2024 attached in the Management Responses, the additional accounts which appeared in their certificate dated 6<sup>th</sup> July 2021 were not KUCCPS account but banks operation account. This certificate included amounts of Kshs 71,173,563 from back up accounts, which the bank had explained are its own operation accounts for KUCCPS. KUCCPS management are not signatory to these bank accounts.

**Observations by the Committee**

**149. The Committee observed that—**

- i) **Management had supported the variance of Kshs.70,762,824 with approval letters from National Treasury on the account opening balances and letter from HFC bank.**
- ii) **The matter is resolved.**

**1.4 Statement of Cash flows**

150. Statements of cash flows reflects cash and cash equivalents balance of Kshs.111,777,645. However, review of the statements of changes in net assets revealed receipt of funds amounting to Kshs.150,000,000 in respect of mortgage and car loan funds which were not included in respect of cash flows from financing activities.

**Submissions by the Accounting Officer**

151. The Accounting Officer submitted that—

Kshs 150 million was a receivable reflected as such in note 11(a) of the Notes to the Financial Statement and was not part of the cash inflows. The amount of Kshs 150 million was a book entry to recognize the obligation of the Placement Service to its Staff Mortgage and Car Loan Scheme following the resolution to transfer Kshs 150 million to the scheme. The reserve of the scheme was increased by recognizing debtors from the main Placement Service account while the Main account recognized a liability of the same amount. This amount of Kshs 150 million was received as from KUCCPS as follows:

- Kshs 70 million vide Payment Voucher (PV) number 8222 dated 23 January 2023
- Kshs 30 million vide payment voucher number 8654 dated 16 August 2023
- Kshs 50 million vide payment voucher number 8757 dated 9 January 2024

**Observations by the Committee**

**152. The Committee observed that –**

- i) **Management explained that Kshs 150 million was a receivable reflected in the Notes to the Financial Statement and not part of the cash inflow.**
- ii) **The matter is resolved.**

**1.5 Statement of financial performance**

153. Review of the statement of financial performance revealed a nil balance in respect of total expenses. However, the staff mortgage and car loans bank statement reflect total amounts of Kshs.599,269 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of total expenses could not be confirmed.

**Submissions by the Accounting Officer**

154. The Accounting Officer submitted that—

The Placement Service opened and operated deposit account with HFC bank for advancing mortgage and car loans to the Placement Service staffs. The account does not attract bank

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charges but earns interest on unutilized funds. The bank withholds 15% on interest earned and the same remitted to Kenya Revenue Authority as required by law. The amount of Kshs 599,269 relate to the withheld interest earned from Car Loan interest for the period ended June 30, 2021.

155. This amount treated as a prepayment until the same claimed while making annual returns after the year-end. The Placement Service does not incur expenses to operate the HF bank account instead the staffs incur an administration expense which is directly recovered from the staff and remitted with monthly car loan and house mortgage instalments.

### **Observations by the Committee**

#### **156. The Committee observed that—**

- i. The amount of Kshs 599,269 related to the withheld interest earned from Car Loan interest and was not yet claimed as at reporting period hence not an expense**
- ii. Matter is resolved.**

### **5. Unsupported Increase in Receivable from Exchange Transaction**

157. As disclosed in Note 11(b) to the financial statements, the statement of financial position reflects balance of Kshs.69,647,830 and Kshs.64,406,935 in respect of receivables from exchange transactions and its comparative balances respectively resulting to an increase of Kshs.5,240,895 in respect of loans disbursed. However, the supporting documents including list of loan beneficiaries were not provided for audit review. In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.69,596,248 could not be confirmed.

### **Submissions by the Accounting Officer**

158. The Accounting Officer submitted that—

The increase of Kshs 5,240,894 in receivables from the staff loans was as a result of loans disbursed of Kshs 11,198,227 and the loan repayments of Kshs 5,957,333. The schedules of the loans issued and repaid were attached in the Management Responses.

### **Observations by the Committee**

#### **159. The Committee observed that—**

- i. The schedules of loan movement supporting the increase of Kshs.5,240,895 in respect of loans disbursed had since been provided.**
- ii. The matter is resolved.**

### **6. Late Submission of Financial Statement**

160. The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2021 were submitted to the Auditor-General on 27 March, 2023, twenty-one (21) months after the statutory deadline to submit of 30 September, 2021. This was contrary to Section 47(1) of the Public Audit Act, CAP.412B which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted

to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

161. The Accounting Officer submitted that—

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2021 including the staff mortgage and car loan balances, which were submitted by 30 September 2021 to Auditor General for audit as required. The same was audited as required. At that time, there were no guidelines from Public Sector Accounting Standards Board on preparation of separate account and the template to use for the Mortgage accounts. The Placement Service therefore did not prepare separate financial statements for Staff Mortgage and Car loan scheme. The Office of the Auditor General guided that the Placement Service prepares the Financial Statements for the earlier years.

**Observations of the Committee**

162. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.**
- ii) **The Matter is unresolved.**

**Recommendations of the Committee**

163. The Committee recommends that—

- i. **The Accounting Officer should ensure timely submission of Financial Statements as per the provisions of Section 31(4) of the Public Audit Act, CAP.412B.**
- ii. **The Cabinet Secretary for National Treasury and Economic Planning to institute disciplinary action against the accounting officer in line with Section 74 of the PFM Act.**

**7. Non-Compliance with PSASB on presentation of FS**

164. The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation of the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements, chairman's report and staff mortgage and car loan schemes committee reports. Further, Notes to the financial statements were not included. In addition, the statement of changes in net assets presented the balances of the previous year and not the year under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

**Submissions by the Accounting Officer**

165. The Accounting Officer submitted that—

After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were responsible for the preparation and signing of the Financial Statements though they were not responsible for the period's operations. Christine Mwaka took over from Michael Kimani as the Chairman while Edna Adala exited and Faith Kaluai took over as Corporation Secretary. The offices being perpetual, the officers took over the offices and responsibility and therefore signed the statements prepared while in office. This fact was disclosed in note 14 of the notes to the financial statement as events after balance sheet.

**Observations of the Committee**

166. The Committee observed that—

- i) Due to the changes in Management from 2018 to 2023, Management clarified the positions of the officials signing the financial statements.
- ii) The current fund administration committee members were signing the annual report and financial statement as required.
- iii) The matter is resolved.

**Financial Year 2021/2022**

**1.1 Variance between financial statement and supported ledgers balances**

167. The Fund's statements of financial position reflect two (2) items that varies with ledger schedule balances as shown below;

Description	Audited financial statements Kshs.	ledger Schedules Kshs.	Variance Kshs.
Receivables from Non-Exchange Transactions	150,000,000	95,707,698	54,292,302
Receivables from Exchange Transactions	96,659,250	5,999,797	90,659,453

168. In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

**Submissions by the Accounting Officer**

169. The Accounting Officer submitted that—

The amount of Kshs 150 million, current receivables from non-exchange transactions relate to the additional funds committed by the Board (Board minutes attached) towards the Staff Car Loan and Mortgage Scheme and which had not been received as at 30 June 2022 from the Placement Service main account. The amount transferred at varied dates as per the attached payments vouchers and bank statements from **KCB bank** and **HFC bank**.

1. 20 January 2023      Kshs 70,000,000
2. 16 August 2023      Kshs 30,000,000
3. 9 January 2024      Kshs 50,000,000

170. Kshs 95,707,698 on the other hand was non-current receivables for the staff car loan and mortgage scheme with the bank. The two amounts are not comparable. The amount of Kshs 96,659,250 was non-current receivables from the exchange transactions for the actual loans advanced to the Placement Service staff Car Loan and Mortgage Scheme as at June 30 2022 with a reconciliation of **Kshs 951,552** being the amount of withholding tax from interest earned treated as prepayment.

171. The amount of Kshs 5,999,797 on the other hand relates to the interest income for the period as reported in the statement of financial performance and disclosed in note 7 of the notes to the financial statements =The non-current receivables and interest income are not comparable.

**Observations by the Committee**

172. The Committee observed that—

- i) **The validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions was confirmed by explaining and supporting the Variance between financial statement and supported ledgers balances.**
- ii) **Management supported the variance which does not affect the audited figure.**
- iii) **The matter is resolved.**

**1.2 Cash and Cash Equivalent**

173. As disclosed in note 9 to the financial statements, the statements of financial position reflect balance of two (2) Kshs 90,766,022 in respect of cash and cash equivalents. However, review of the certificate of bank balance provided for audit revealed 4 (four) bank accounts balances totalling to Kshs. 187,140,296 resulting to an unexplained and unreconciled variance of Kshs 90,766,022.

**Submissions by the Accounting Officer**

174. The Accounting Officer submitted that—

During the period ended 30 June 2022, the Placement Service operates two bank accounts, Fixed Deposit Account Number 2211863401 and Fixed Deposit Car Loan account number 2211863402. The two accounts were approved by the National Treasury vide letter dated 30

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

May 2017. Bank balance confirmation letter dated 6<sup>th</sup> July 2021 indicated four bank accounts in the name of KUCCPS totalling to Kshs 182,040,469. As indicated in the communication from the HFC bank letter dated 26 February 2024), the additional accounts which appeared in their certificate dated 6<sup>th</sup> July 2021 were not KUCCPS account but banks operation account. This certificate included amounts of Kshs 97,285,013 from back up accounts, which the bank has explained as its own operation accounts for KUCCPS. The KUCCPS management are not signatory to these bank accounts.

### Observations by the Committee

#### 175. The Committee observed that—

- i) **Management supported the variance of Kshs 90,766,022 with approval letters from National Treasury on the account opening balances and letter from HFC bank.**
- ii) **The matter is resolved.**

### 1.3 Statement of Financial Performance

176. Review of the statement of financial performance revealed a nil balance in respect of expenses. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 122,566 in respect of tax on credit and other bank charges are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of expenses could not be confirmed

### Submissions by the Accounting Officer

177. The Accounting Officer submitted that—

The HFC bank opened and operated as deposit account for advancing the car loans and house mortgages to the Placement Service staff. The account does not attract bank charges but earns interest on unutilized funds. The bank withholds 15% on interest earned and the same remitted to Kenya Revenue Authority as required by law. The amount of Kshs 122,566 was withheld tax from interest earned from the staff Car Loan deposit for the year 2021/2022.

178. This amount treated as a prepayment until the same claimed while making annual returns after the year-end. The Placement Service does not incur expenses to operate the HF bank account instead the staffs incur an administration expense which is directly recovered from the staff and remitted with monthly car loan and house mortgage instalments.

### Observations by the Committee

179. The Committee observed that—

- i. **The Kshs. 122,566 related to the withheld interest earned from Car Loan interest and was not yet claimed as at reporting period hence not an expense**
- ii. **Matter is resolved.**

**1. Non-Compliance with PSASB on presentation of FS**

180. The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation of the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements, chairman's report and staff mortgage and car loan schemes committee reports. Further, Notes to the financial statements were not included. In addition, the statement of changes in net assets presented the balances of the previous year and not the year under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

**Submissions by the Accounting Officer**

181. The Accounting Officer submitted the following
- After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were responsible for the preparation and signing of the Financial Statements though they were not responsible for the period's operations. Christine Mwaka took over from Michael Kimani as the Chairman while Edna Adala exited and Faith Kaluai took over as Corporation Secretary. The offices being perpetual, the officers took over the offices and responsibility and therefore signed the statements prepared while in office. This fact was disclosed in note 14 of the notes to the financial statement as events after balance sheet date appearing on pages 21 and 22.

**Observations of the Committee**

182. The Committee observed that—
- i) Due to the changes in Management from 2018 to 2023, Management has clarified the positions of the officials signing the financial statements.
  - ii) The current fund administration committee members were signing the annual report and financial statement as required in subsequent years.
  - iii) The matter is resolved.

**EXAMINATION OF THE AUDITED FINANCIAL STATEMENTS FOR PUBLIC SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR FINANCIAL YEARS 2018/2019 TO 2021/2022**

183. Mr. Paul Famba, the Chief Executive Officer, Public Service Commission appeared before the Committee on Tuesday 20<sup>th</sup> February and Wednesday 5<sup>th</sup> November, 2024 to adduce evidence on the audited financial statements for the, Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2017/18 to 2021/2022. During the meeting, the Accounting Officer was accompanied by:

1. Mr. Lemmy Mulati - Deputy Commission Secretary, PSC.
2. Mr. Maina Njoroge - Deputy Finance, Planning & RM.
3. Mr. Gerald G. Kuhaka - Director, Administration.
4. Mr. Joseph Njoroge - Deputy Director, Accounts.
5. Mr. William M. Migwi - Deputy Director, Planning.
6. Mr. Simiyu Njalale - Deputy Director, Finance.
7. Mr. Patrick Malakwen - Deputy Director, Supply Chain.
8. Ms. Caroline C. Kiget - Deputy Director, HRM.
9. Ms. Naomi Sidi - Assistant Director, HRM.

**Financial Year 2017/2018**

**1) Late Submission of Financial Statements**

184. The financial statements of the Fund for the six-months period ended 30 June, 2018 were submitted to the Auditor General on 30 October, 2023, approximately five (5) years after the end of the period. This was contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund to prepare financial statements and submit them to the Auditor General within three months by the end of the financial year. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

185. The Accounting Officer submitted that—

The Public Service Commission entered into an agreement with Kenya Commercial Bank (KCB) on 27<sup>th</sup> February, 2018; where it was agreed that KCB will administer the employees Car Loan and Mortgage Scheme Fund. It was noted that the accounts for the six months period ended 30 June, 2018 were not prepared on time. Section 21 (d) of Public Service Commission Car Loan Scheme Regulations 2018 and Section 22 (b) of Public Service Commission Mortgage Scheme regulations provide that administrator of the Scheme should prepare, sign and transmit the income and expenditure statement and statement of financial position of the scheme in accordance with the standards as may be prescribed by the Kenya Public Sector Accounting Standards Board.

186. The guidelines and standard template for preparation of financial statements were issued by the National Treasury from 30<sup>th</sup> June, 2022. The National Treasury through the Circular REF:AG.4/16/3 Vol.II (66) dated 6<sup>th</sup> July, 2022 communicated to all Accounting Officers on New and Revised Annual Financial Reporting Templates for all National and County Government Entities. Section 2.1.1 of the circular introduced guidelines on New Templates for Car Loan and Mortgage Funds under the National Government Entities However, the financial statements for Public Service Commission for financial year 2017/2018 had a discloser on amount disbursed on Mortgage and Car Loan under Domestic Lending and On-Lending on page 27; Financial Assets. They had since prepared the financial statements for financial year 2017/2018 and audited by the Office of the Auditor General. He promised that Management is committed to ensuring compliance with the law on matters of Financial Reporting.

#### **Observations of the Committee**

187. **The Committee observed that—**

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate; and**
- ii) **The Matter is unresolved.**

#### **Recommendations of the Committee**

188. **The Committee recommends that the Accounting Officer should ensure timely submission of financial statements as per the provisions of section 47(1) of the Public Audit Act, CAP.412B.**

## **2. Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

189. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

#### **Submissions by the Accounting Officer**

190. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

191. The Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

#### **Observations of the Committee**

192. **The Committee observed that—**

- i) **The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding.**
- ii) **Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C .**
- iii) **The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager are still in draft form.**
- iv) **The matter is not resolved.**

#### **Recommendations of the Committee**

193. **The Committee recommends that—**

- i) **Within three months of adoption of this report, management must submit authorization from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.**
- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act.**

### **3. Unfavourable Clauses in Contract Agreement with a Financial Institution**

194. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

#### **3.1 Irregular Loan Interest**

The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

**Submissions by the Accounting Officer**

195. The Accounting Officer submitted that—

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

**Observations of the Committee**

The Committee observed that—

- i) The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approves a three percent per annum rate for the loan duration; and
- ii) The Matter is unresolved.

**Recommendations of the Committee**

196. The Committee recommends that—

- i) Within three months upon the adoption of this report;
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act.
- ii) The Accounting Officer must ensure strict adherence to relevant statutory provisions and circulars.
- iii) The 2% differential interest charged based on the agreement should be refunded to the Fund.
- iv) The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular.

**3.2 High Cost of Administration Fees**

197. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

**Submissions by the Accounting Officer**

198. The Accounting Officer submitted that—

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- a) Administration fee of 3.5% to be removed;
- b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering bank;
- c) Ledger fee of Kshs 350 per month to be removed; and
- d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

### Observations of the Committee

199. The Committee observed that—

- i) The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans.
- ii) The matter is unresolved.

### Recommendations of the Committee

200. The Committee recommends that—

- i) within three months upon the adoption of this report;
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP.412A.
- ii) The agreement should be reviewed to address the high cost of administration fees.

### 3.3 Under Utilized Funds

201. The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. Review of records revealed that Kshs.85,000,0000 was held in the lien account. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

### Submissions by the Accounting Officer

202. The Accounting Officer submitted that—

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and Mortgage Scheme. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission Mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect*. The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

#### **Observations of the Committee**

203. **The Committee observed that—**

- i) Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund’s revenue due to the low interest earned on the lien amount.**
- ii) The Matter is unresolved.**

#### **Recommendations of the Committee**

204. **The Committee recommends that—**

- i) Within three months upon the adoption of this report**
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act, CAP412A**
- ii) 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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **4. Irregular Consolidation of Two Separate Funds**

205. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.

206. No explanation was provided for the consolidating of the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

### **Submissions by the Accounting Officer**

207. The Accounting Officer submitted that—

The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template. In addition, He stated that the statement of cash-flow of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities. During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2018. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

### **Observations of the Committee**

208. **The Committee observed that—**

- i) **The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, 2012 which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board; and**
- ii) **The Matter is unresolved.**

### **Recommendations of the Committee**

209. **The Committee recommends that—**

- i) **That within three months upon the adoption of this report the Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line section with 74 of the PFM Act, CAP.412A.**
- ii) **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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**Financial Year 2018/2019**

**1) Late Submission of Financial Statements**

210. The financial statements of the Fund for the year ended 30 June, 2019 were submitted to the Auditor General on 30 October, 2023, approximately five (5) years after the end of the period. This was contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund to prepare financial statements and submit them to the Auditor General within three months after the end of the financial year. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

211. The Accounting Officer submitted that—

The Public Service Commission entered into an agreement with Kenya Commercial Bank (KCB) on 27<sup>th</sup> February, 2018; where it was agreed that KCB will administer the employees Car Loan and Mortgage Scheme Fund. It was noted that the accounts for the financial year ended 30 June, 2019, were not prepared on time. Section 21 (d) of Public Service Commission Car Loan Scheme Regulations 2018 and Section 22 (b) of Public Service Commission Mortgage Scheme regulations provide that administrator of the Scheme should prepare, sign and transmit the income and expenditure statement and statement of financial position of the scheme in accordance with the standards as may be prescribed by the Kenya Public Sector Accounting Standards Board.

212. The guidelines and standard template for preparation of financial statements were issued by the National Treasury from 30<sup>th</sup> June, 2022. The National Treasury through the Circular REF:AG.4/16/3 Vol.II (66) dated 6<sup>th</sup> July, 2022 communicated to all Accounting Officers on New and Revised Annual Financial Reporting Templates for all National and County Government Entities. Section 2.1.1 of the circular introduced guidelines on New Templates for Car Loan and Mortgage Funds under the National Government Entities. However, the financial statements for Public Service Commission for financial year 2018/2019 had a disclosure on amount disbursed on Mortgage and Car Loan under Domestic Lending and On-Lending on page 33; Financial Assets. He promised that the Management is committed to ensuring compliance with the law on matters of Financial Reporting.

**Observations of the Committee**

213. The Committee observed that—

- i) The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate; and
- ii) The Matter is unresolved.

**Recommendations of the Committee**

214. **The Committee recommends that the Accounting Officer should ensure timely submission of financial statements as per the provisions of section 47(1) of the Public Audit Act, CAP.412B.**

**2) Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

215. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

**Submissions by the Accounting Officer**

216. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

217. He noted that the Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December, 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

**Observations of the Committee**

218. **The Committee observed that—**

- i) The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding;**
- ii) Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C;**
- iii) The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager were still in draft form; and**
- iv) The matter is not resolved.**

**Recommendations of the Committee**

219. **The Committee recommends that—**

**Within three months of adoption of this report,**

- i) Management must submit authorisation from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.**
- ii) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line section with 74 of the PFM Act, CAP.412A.**

**3) Unfavourable Clauses in Contract Agreement with a Financial Institution**

220. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

**3.1 Irregular Loan Interest**

221. The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

**Submissions by the Accounting Officer**

222. The Accounting Officer submitted that—

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

**Observations of the Committee**

223. **The Committee observed that—**

- i) The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approves a three percent per annum rate for the loan duration; and**
- ii) The Matter is unresolved.**

### **Recommendations of the Committee**

224. **The Committee recommends that—**

- i) Within three months upon the adoption of this report;**
  - a) The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**
- c) The 2% differential interest charged based on the agreement should be refunded to the loanee.**
- d) The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular.**

### **3.2 High Administration Fees**

225. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

### **Submissions by the Accounting Officer**

226. **The Accounting Officer submitted that—**

The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- a) Administration fee of 3.5% to be removed;
- b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering bank;
- c) Ledger fee of Kshs 350 per month to be removed; and
- d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

### **Observations of the Committee**

227. **The Committee observed that—**

- i) The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans.**
- ii) The matter is unresolved.**

**Recommendations of the Committee**

228. The Committee recommends that—

- i) **within three months upon the adoption of this report:**
  - a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**
- ii) **The agreement should be reviewed to address the high cost of administration fees.**

**3.2 Under Utilized Funds**

229. The agreement requires the Funds to maintain a lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

**Submissions by the Accounting Officer**

230. The Accounting Officer submitted that—

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and mortgage Scheme.

231. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission Mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect* . The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

**Observations of the Committee**

232. The Committee observed that—

- i) **Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund’s revenue due to the low interest earned on the lien amount.**
- ii) **The Matter is unresolved.**

**Recommendations of the Committee**

233. The Committee recommends that—

- i) **Within three months upon the adoption of this report:**

- a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**
- ii) **The Accounting Officer must ensure strict adherence to relevant statutory provisions and circulars.**

#### **4. Irregular Consolidation of Two Separate Funds**

234. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.
235. No explanation was provided for the consolidating of the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

#### **Submissions by the Accounting Officer**

236. The Accounting Officer submitted that—
- The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template In addition, He stated that the statement of cash flow on page four (4) of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities
237. During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2019. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

#### **Observations of the Committee**

238. **The Committee observed that—**
- i) **The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, CAP.412A which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare**

**financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board; and**

**ii) The Matter is unresolved.**

#### **Recommendations of the Committee**

**239. The Committee recommends that—**

- i) Within three months upon the adoption of this report the Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with the PFM Act.**
- ii) 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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **Financial Year 2019/2020**

##### **1) Late Submission of Financial Statements**

**240.** The financial statements of the Fund for the year ended 30 June, 2020 were submitted to the Auditor General on 30 October, 2023, approximately five (5) years after the end of the period. This was contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund to prepare financial statements and submit them to the Auditor General within three months after the end of the financial year. In the circumstances, Management was in breach of the law.

#### **Submissions by the Accounting Officer**

**241.** The Accounting Officer submitted that—

The Public Service Commission entered into an agreement with Kenya Commercial Bank (KCB) on 27<sup>th</sup> February, 2018; where it was agreed that KCB will administer the employees Car Loan and Mortgage Scheme Fund. It was noted that the accounts for the financial year ended 30 June, 2020 were not prepared on time. Section 21 (d) of Public Service Commission Car Loan Scheme Regulations 2018 and Section 22 (b) of Public Service Commission Mortgage Scheme regulations provide that administrator of the Scheme should prepare, sign and transmit the income and expenditure statement and statement of financial position of the scheme in accordance with the standards as may be prescribed by the Kenya Public Sector Accounting Standards Board.

**242.** The guidelines and standard template for preparation of financial statements were issued by the National Treasury from 30<sup>th</sup> June, 2022. The National Treasury through the Circular REF:AG.4/16/3 Vol.II (66) dated 6<sup>th</sup> July, 2022 communicated to all Accounting Officers on New and Revised Annual Financial Reporting Templates for all National and County

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

Government Entities. Section 2.1.1 of the circular introduced guidelines on New Templates for Car Loan and Mortgage Funds under the National Government Entities. However, the financial statements for Public Service Commission for financial year 2019/2020 had a disclosure on amount disbursed on Mortgage and Car Loan under Domestic Lending and On-Lending on page 38; Financial Assets. He promised that the Management is committed to ensuring compliance with the law on matters of Financial Reporting.

### **Observations of the Committee**

243. **The Committee observed that—**

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, CAP.412A and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate; and**
- ii) **The Matter is unresolved.**

### **Recommendations of the Committee**

244. **The Committee recommends that the Accounting Officer should ensure timely submission of financial statements as per the provisions of section 47(1) of the Public Audit Act, CAP.412B.**

## **2. Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

245. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

### **Submissions by the Accounting Officer**

246. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

247. He noted that the Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December, 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The

National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

#### **Observations of the Committee**

248. **The Committee observed that—**

- i) The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding;**
- ii) Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C;**
- iii) The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager are still in draft form; and**
- iv) The matter is not resolved.**

#### **Recommendations of the Committee**

249. **The Committee recommends that—**

**Within three months of adoption of this report ;**

- i) Management must submit authorisation from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.**
- ii) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**

### **3. Unfavorable Clauses in Contract Agreement with a Financial Institution**

250. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

#### **3.1 Irregular Loan Interest**

The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

#### **Submissions by the Accounting Officer**

251. **The Accounting Officer submitted that—**

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme

recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

#### **Observations of the Committee**

252. **The Committee observed that—**

- i) The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approved a three percent per annum rate for the loan duration;and**
- ii) The Matter is unresolved.**

#### **Recommendations of the Committee**

253. **The Committee recommends that—**

- i) Within three months upon the adoption of this report;**
  - a) The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) The 2% differential interest charged based on the agreement should be refunded to the loanee.**
- iii) The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular.**

#### **3.2 High Administration Fees**

2. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

#### **Submissions by the Accounting Officer**

3. The Accounting Officer submitted that—

The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- a) Administration fee of 3.5% to be removed;
- b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering ban.
- c) Ledger fee of Kshs 350 per month to be removed; and

- d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

#### **Observations of the Committee**

#### **4. The Committee observed that—**

- i) The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans.
- ii) The matter is unresolved.

#### **Recommendations of the Committee**

#### **5. The Committee recommends that—**

- i) Within three months upon the adoption of this report-
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.
- ii) The agreement should be reviewed to address the high cost of administration fees.

#### **3.3 Under Utilized Funds**

The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

#### **Submissions by the Accounting Officer**

#### **6. The Accounting Officer submitted that—**

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and Mortgage Scheme.

- 7. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect*. The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

**Observations of the Committee**

**8. The Committee observed that—**

- i) Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund's revenue due to the low interest earned on the lien amount.
- ii) The Matter is unresolved.

**Recommendations of the Committee**

**9. The Committee recommends that—**

- i) **Within three months upon the adoption of this report-**
  - a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**
- ii) **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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**4. Irregular Consolidation of Two Separate Funds**

10. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.
11. No explanation was provided for the consolidating of the financial statements For the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

**12. The Accounting Officer submitted that—**

The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template In addition, He stated that the statement of cash flow

on page four (4) of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities

13. During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2020. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

#### **Observations of the Committee**

**14. The Committee observed that—**

- i) The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, CAP.412A which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board.**
- ii) The Matter is unresolved.**

**15. The Committee recommends that—**

- i) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) 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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **Financial Year 2020/2021**

**1) Late Submission of Financial Statements**

16. The financial statements of the Fund for the year ended 30 June,2021 were submitted to the Auditor General on 30 October, 2023, approximately five (5) years after the end of the period. This was contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund to prepare financial statements and submit them to the Auditor General within three months after the end of the financial year. In the circumstances, Management was in breach of the law.

#### **Submissions by the Accounting Officer**

17. The Accounting Officer submitted that—

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

The Public Service Commission entered into an agreement with Kenya Commercial Bank (KCB) on 27<sup>th</sup> February, 2018; where it was agreed that KCB will administer the employees Car Loan and Mortgage Scheme Fund. It was noted that the accounts for the financial year ended 30 June, 2021 were not prepared on time. Section 21 (d) of Public Service Commission Car Loan Scheme Regulations 2018 and Section 22 (b) of Public Service Commission Mortgage Scheme regulations provide that administrator of the Scheme should prepare, sign and transmit the income and expenditure statement and statement of financial position of the scheme in accordance with the standards as may be prescribed by the Kenya Public Sector Accounting Standards Board.

18. The guidelines and standard template for preparation of financial statements were issued by the National Treasury from 30<sup>th</sup> June, 2022. The National Treasury through the Circular REF:AG.4/16/3 Vol.II (66) dated 6<sup>th</sup> July, 2022 communicated to all Accounting Officers on New and Revised Annual Financial Reporting Templates for all National and County Government Entities. Section 2.1.1 of the circular introduced guidelines on New Templates for Car Loan and Mortgage Funds under the National Government Entities However, the financial statements for Public Service Commission for financial year 2020/2021 had a discloser on amount disbursed on Mortgage and Car Loan under Domestic Lending and On-Lending on page 45 and 46; Financial Assets. He promised that the Management is committed to ensuring compliance with the law on matters of Financial Reporting.

**Observations of the Committee**

19. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate:and**
- ii) **The Matter is unresolved.**

**Recommendations of the Committee**

20. **The Committee recommends that the Accounting Officer should ensure timely submission of financial statements as per the provisions of section 47(1) of the Public Audit Act, CAP.412B.**

**2. Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

21. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

**Submissions by the Accounting Officer**

22. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

23. He noted that the Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December, 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

**Observations of the Committee**

24. The Committee observed that—

- i) **The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding.**
- ii) **Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C.**
- iii) **The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager are still in draft form:and**
- iv) **The matter is not resolved.**

**Recommendations of the Committee**

25. The Committee recommends that—

- i) **Within three months of adoption of this report, management must submit authorisation from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.**
- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**

**3. Unfavorable Clauses in Contract Agreement with a Financial Institution**

26. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

**3.1 Irregular Loan Interest**

The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

**Submissions by the Accounting Officer**

27. The Accounting Officer submitted that—

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

**Observations of the Committee**

The Committee observed that—

- i) The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approves a three percent per annum rate for the loan duration;and
- ii) The Matter is unresolved.

**Recommendations of the Committee**

28. The Committee recommends that—

- i) Within three months upon the adoption of this report:
  - a) The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.
- ii) The 2% differential interest charged based on the agreement should be refunded to the Fund.
- iii) The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular.
- iv) 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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

### **3.2 High Administration Fees**

29. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

#### **Submissions by the Accounting Officer**

30. The Accounting Officer submitted that—

The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- a) Administration fee of 3.5% to be removed;
- b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering ban.
- c) Ledger fee of Kshs 350 per month to be removed; and
- d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

#### **Observations of the Committee**

31. The Committee observed that—

- i) **The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans.**
- ii) **The matter is unresolved.**

#### **Recommendations of the Committee**

32. The Committee recommends that—

- i) **within three months upon the adoption of this report**
  - a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) **The agreement should be reviewed to address the high cost of administration fees.**

### **3.4 Under Utilized Funds**

The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

### **Submissions by the Accounting Officer**

33. The Accounting Officer submitted that—

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and mortgage Scheme.

34. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission Mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect*. The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

### **Observations of the Committee**

35. **The Committee observed that—**

- i) Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund’s revenue due to the low interest earned on the lien amount.**
- ii) The Matter is unresolved.**

### **Recommendations of the Committee**

36. **The Committee recommends that—**

- i) Within three months upon the adoption of this report**
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) 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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

#### **4. Irregular Consolidation of Two Separate Funds**

37. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.
38. No explanation was provided for the consolidating of the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, CAP412A which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

#### **Submissions by the Accounting Officer**

39. The Accounting Officer submitted that—

The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template In addition, He stated that the statement of cash flow on page four (4) of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities

During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2021. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

#### **Observations of the Committee**

40. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, CAP.412A which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board :and**
- ii) **The Matter is unresolved.**

41. **The Committee recommends that—**

- i) **Within three months upon the adoption of this report the Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) **The Accounting Officer must ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**Financial Year 2021/2022**

**1) Late Submission of Financial Statements**

42. The financial statements of the Fund for the year ended 30 June, 2022 were submitted to the Auditor General on 30 October, 2023, approximately five (5) years after the end of the period. This was contrary to Section 84(3) of the Public Finance Management Act, CAP.412A which requires an Administrator of a National Public Fund to prepare financial statements and submit them to the Auditor General within three months after the end of the financial year. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

43. The Accounting Officer submitted that—

The Public Service Commission entered into an agreement with Kenya Commercial Bank (KCB) on 27<sup>th</sup> February, 2018; where it was agreed that KCB will administer the employees Car Loan and Mortgage Scheme Fund. It was noted that the accounts for the financial year ended 30 June, 2022 were not prepared on time. Section 21 (d) of Public Service Commission Car Loan Scheme Regulations 2018 and Section 22 (b) of Public Service Commission Mortgage Scheme regulations provide that administrator of the Scheme should prepare, sign and transmit the income and expenditure statement and statement of financial position of the scheme in accordance with the standards as may be prescribed by the Kenya Public Sector Accounting Standards Board.

44. The guidelines and standard template for preparation of financial statements were issued by the National Treasury from 30<sup>th</sup> June, 2022. The National Treasury through the Circular REF:AG.4/16/3 Vol.II (66) dated 6<sup>th</sup> July, 2022 communicated to all Accounting Officers on New and Revised Annual Financial Reporting Templates for all National and County Government Entities. Section 2.1.1 of the circular introduced guidelines on New Templates for Car Loan and Mortgage Funds under the National Government Entities However, the financial statements for Public Service Commission for financial year 2021/2022 had a discloser on amount disbursed on Mortgage and Car Loan under Domestic Lending and On-

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

Lending on page 12; Financial Assets. He promised that the Management is committed to ensuring compliance with the law on matters of Financial Reporting.

### Observations of the Committee

#### 45. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 47(1) of the Public Audit Act, CAP.412B which provides that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate:and**
- ii) **The Matter is unresolved.**

### Recommendations of the Committee

#### 46. The Committee recommends that—

- i) **The Accounting Officer should ensure timely submission of financial statements as per the provisions of section 47(1) of the Public Audit Act, CAP.412B.**
- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer report in line with the PFM Act .**

#### 2) **Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

47. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

### Submissions by the Accounting Officer

#### 48. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

49. He noted that the Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December, 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

**Observations of the Committee**

50. The Committee observed that—

- i) The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding.
- ii) Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C.
- iii) The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager are still in draft form:and
- iv) The matter is unresolved.

**Recommendations of the Committee**

51. The Committee recommends that—

- i) within three months of adoption of this report, management must submit authorisation from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.
- ii) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with section 74 of the PFM Act .

**3. Unfavorable Clauses in Contract Agreement with a Financial Institution**

52. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

**3.1 Irregular Loan Interest**

The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

**Submissions by the Accounting Officer**

53. The Accounting Officer submitted that—

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme

recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

#### **Observations of the Committee**

54. The Committee observed that—

- i) The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approves a three percent per annum rate for the loan duration.
- ii) The Matter is unresolved.

#### **Recommendations of the Committee**

55. The Committee recommends that—

- i) Within three months upon the adoption of this report;
  - a) The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.
  - b) The Cabinet Secretary for National Treasury and Economic Planning to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.
- ii) The 2% differential interest charged based on the agreement should be refunded to the loanees.
- iii) The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular.
- iv) The Accounting Officer must ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.

#### **3.2 High Administration Fees**

56. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

#### **Submissions by the Accounting Officer**

57. The Accounting Officer submitted that—

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- a) Administration fee of 3.5% to be removed;
- b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering ban.
- c) Ledger fee of Kshs 350 per month to be removed; and
- d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

### Observations of the Committee

58. The Committee observed that—

- i) **The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans:and**
- ii) **The matter is unresolved.**

### Recommendations of the Committee

59. The Committee recommends that—

- i) **within three months upon the adoption of this report -**
  - a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**
  - b) **The Cabinet Secretary for National Treasury and Economic Planning to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act,2012.**
- ii) **The agreement should be reviewed to address the high cost of administration fees.**

### 3.5 Under Utilized Funds

The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

**Submissions by the Accounting Officer**

60. The Accounting Officer submitted that—

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and Mortgage Scheme.

61. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission Mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect* . The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

**Observations of the Committee**

62. The Committee observed that—

- i) Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund’s revenue due to the low interest earned on the lien amount.
- ii) The Matter is unresolved.

**Recommendations of the Committee**

63. The Committee recommends that—

- i) Within three months upon the adoption of this report;
  - a) The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.
  - b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.
- ii) The Accounting Officer must ensure strict adherence to relevant statutory provisions and circulars.

**4. Irregular Consolidation of Two Separate Funds**

64. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.

65. No explanation was provided for the consolidating of the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, 2012 which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for

## SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

### **Submissions by the Accounting Officer**

66. The Accounting Officer submitted that—

The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template. In addition, He stated that the statement of cash flow on page four (4) of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities

67. During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2022. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

### **Observations of the Committee**

68. The Committee observed that—

- i) **The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, 2012 which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board:and**
- ii) **The Matter is unresolved.**

Recommendations of the Committee

69. The Committee recommends that—

- i) **Within three months upon the adoption of this report the Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) **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 Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**Financial Year 2022/2023**

**1) Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes**

70. The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the Car Loan and Mortgage Schemes. However, procurement records indicating how the bank was identified and awarded the tender were not provided for audit review. In the circumstances, it was not confirmed whether the procurement of the bank was competitive and transparent.

**Submissions by the Accounting Officer**

71. The Accounting Officer submitted that—

Public Service Commission Car Loan Scheme Regulation 2018(10) provides that “the officer administering the scheme may appoint a reputable financial institution to administer the scheme. In addition, Section 10 of Public Service Commission Mortgage Scheme Regulations 2018 give powers to the Administrator to consult with The National Treasury on a reputable financial institution to administer the scheme.

72. He noted that the Commission did engage the National Treasury for guidance on a suitable institution for Fund Administration. A letter addressed to the Principal Secretary National Treasury on 14<sup>th</sup> December, 2017 on operationalization of the two (2) Funds forwarded the Regulations and also indicated the preferred service provider. Kenya Commercial Bank (KCB) and HFCK had similar engagements with other public institutions operating such Funds. The National Treasury eventually granted authority for the Commission to engage Kenya Commercial Bank (KCB) as the Fund Administrator to manage the Scheme.

**Observations of the Committee**

73. The Committee observed that—

- i) The Fund Management entered into an agreement with a financial institution to manage the Car Loan and Mortgage Schemes without competitive bidding.
- ii) Management was in breach of Section 103(1) of the Public Procurement and Asset Disposal Act, CAP.412C.
- iii) The Public Service Commission Car Loan Scheme Regulation 2018 relied upon by the Fund when selecting the Fund Manager are still in draft form; and
- iv) The matter is not resolved.

**Recommendations of the Committee**

74. The Committee recommends that—

- i) Within three months of adoption of this report, management must submit authorisation from the National Treasury allowing the Fund to engage Kenya Commercial Bank as the Fund administrator to the Auditor General for Audit verification.

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

- ii) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer as provided in section 74 of the PFM Act**

**2) Unfavorable Clauses in Contract Agreement with a Financial Institution**

75. The statement of financial position reflects car loan and mortgage revolving funds amounting to Kshs.15,000,000 and Kshs.85,000,000, respectively. Review of the Agreement dated 27 February, 2018 between the Funds and the financial institution managing the Car Loan and Mortgage Schemes revealed the following anomalies:

**2.1 Irregular Loan Interest**

76. The agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No.SRC/ADM/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

**Submissions by the Accounting Officer**

77. The Accounting Officer submitted that—

Article 17(1) of both Public Service Commission Car Loan Scheme and Mortgage Scheme Regulations 2018 guide on interest rate at 5% per annum at reducing balance basis. However, review of the interest rate was underway to ensure it was not more than 3%. In addition, Article 24 of the Public Service Commission Car Loan Regulations and Article 26 of Public Service Commission Mortgage Scheme Regulations require the officer administering the scheme recommend to the Cabinet Secretary any amendment to the regulation. The review of interest rate is in progress. Draft Regulations are attached in the Management Responses.

**Observations of the Committee**

78. **The Committee observed that—**

- i) **The agreement stipulates an interest rate of five percent on the loans, in contravention of Part 6 of the Salaries and Remuneration Commission Circular, which approved a three percent per annum rate for the loan duration: and**
- ii) **The Matter is unresolved.**

**Recommendations of the Committee**

79. **The Committee recommends that—**

- i) **Within three months upon the adoption of this report;**
  - a) **The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) **The 2% differential interest charged based on the agreement should be refunded to the loanees.**

- iii) **The agreement should be reviewed and aligned with the provisions of Part 6 of the Salaries and Remuneration Commission Circular. The Accounting Officer must ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

## **2.2 High Administration Fees**

80. The agreement provides for charging of 4% and 3.5% administration fee on interest earned from car loans and mortgage loans, respectively. Further, the financial institution charges a negotiation fee of 1% on car and mortgage loans taken and a monthly ledger fee of Kshs.350. These have increased the cost of the loans.

### **Submissions by the Accounting Officer**

81. The Accounting Officer submitted that—
- The Commission is currently in the process of reviewing Public Service Commission Car Loan and Mortgage Regulations 2018 in order to make the facility affordable and attractive to staff. So far, Draft Regulations have been developed and circulated to stakeholders including staff and senior management; and their inputs already incorporated. The Draft Regulations are awaiting tabling before the Commission Board for adoption. The proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:
- a) Administration fee of 3.5% to be removed;
  - b) Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from administering bank.
  - c) Ledger fee of Kshs 350 per month to be removed; and
  - d) The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

### **Observations of the Committee**

82. The Committee observed that—
- i) **The agreement imposes charges, including a 4% and 3.5% administration fee on interest earned from car and mortgage loans respectively, a 1% negotiation fee, and a monthly ledger fee of Kshs. 350, thereby increasing the overall cost of the loans.**
  - ii) **The matter is unresolved.**

### **Recommendations of the Committee**

83. The Committee recommends that—

- i) **within three months upon the adoption of this report:**
  - a) **The issuance of new mortgage and car loans be suspended until the regulations are approved by Parliament.**
  - b) **The Cabinet Secretary to institute disciplinary measures against the Accounting Officer in line with Section 74 of the PFM Act.**
- ii) **The agreement should be reviewed to address the high cost of administration fees.**

## **2.2 Under Utilized Funds**

The agreement requires the Funds to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. This has denied the beneficiaries from accessing the loans and denied the Funds optimal revenue due to the low interest rate on the lien amount. In the circumstances, the effectiveness and achievement of value for money for the Funds could not be confirmed.

### **Submissions by the Accounting Officer**

84. The Accounting Officer submitted that—

The agreement entered into with Kenya Commercial Bank (KICC Branch) was on 27<sup>th</sup> February, 2018. After the signing of the Memorandum of Understanding (MOU), the Scheme Management Committee undertook staff sensitization in preparation for issuance of Car Loan and mortgage Scheme.

85. The Mortgage and Car Loan Fund was held in a fixed Deposit Account awaiting staff to apply for the loan. He noted that Section 6 of the MOU between Public Service Commission Mortgage Scheme and Kenya Commercial Bank indicated that “The client may revise this rate of interest from time to time and shall advise Kenya Commercial Bank in writing and give two (2) months’ notice for Kenya Commercial Bank to *effect* . The review of the interest rate will be in the new Memorandum of Understanding (MOU) after the adoption of the new Car Loan and Mortgage Regulations by the Public Service Commission Board.

### **Observations of the Committee**

86. **The Committee observed that—**

- i) **Kshs. 85,000,000 held in a lien account denied beneficiaries access to loans and reduced the Fund’s revenue due to the low interest earned on the lien amount.**
- ii) **The Matter is unresolved.**

### **Recommendations of the Committee**

87. **The Committee recommends that within three months upon the adoption of this report**
- a) **The issuance of new mortgage and car loans be suspended until the Regulations are approved by Parliament.**

- b) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer as provided in Section 74 of the PFM Act.**

**4. Irregular Consolidation of Two Separate Funds**

88. The financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the two schemes are established under Public Service Commission Car Loan Scheme Regulations, 2018 and the Public Service Commission Mortgage Scheme Regulations, 2018, respectively.
89. No explanation was provided for the consolidating of the financial statements for the two Schemes which are distinct. This is contrary to Section 84(1) of the Public Finance Management Act, CAP.412A which requires an Administrator of a National Public Fund established by the Constitution or an Act of Parliament to prepare financial statements for the Fund for each financial year in a form prescribed by the Accounting Standards Board. In the circumstances, Management was in breach of the law.

**Submissions by the Accounting Officer**

90. The Accounting Officer submitted that—

The preparation of the Financial Statements for the six months period ended 30<sup>th</sup> June 2018, was in consultation with The National Treasury. The Commission used the standard template issued by Public Sector Accounting Standards Board. The template provide for disclosure of the two fund in statement of financial position as shown in page 2 of the Public Sector Accounting Standards Board template. In addition, He stated that the statement of cash flow on page four (4) of the template provide for disclosure of Receipt into the Mortgage Revolving Fund and Receipts into the Car Loan Revolving Fund, both under cash flow from financing activities

During the audit of the financial statements, separate supporting schedules for both Mortgage and Car Loan were issued to the Auditors which were used to prepare financial statements for the six-month period ended 30<sup>th</sup> June 2023. However, He noted the matter and undertook to ensure preparation of separate financial statements from the current financial year 2023/2024 after consultation with The National Treasury and Public Sector.

**Observations of the Committee**

91. The Committee observed that—

- i. **The Accounting Officer was in breach of Section 84(1) of the Public Finance Management Act, CAP.412A which provide that the administrator of a national public fund established by the Constitution or an Act of Parliament shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board and**
- ii. **The Matter is unresolved.**

**Recommendations of the Committee**

**92. The Committee recommends that—**

- i) The Cabinet Secretary to institute disciplinary measures against the Accounting Officer.**
- ii) The Accounting Officer must ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of Annual Reports and financial statements and in accordance with the standards prescribed by the Public Sector Accounting Standards Board and in compliance with regulation 101 (4) of the public finance management (National Government) Regulations.**

**EXAMINATION OF AUDITED ACCOUNTS FOR THE NATIONAL LAND COMMISSION CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2020/2021 AND 2021/2022.**

1. Ms. Kabale Tache Ann , The Chief Executive Officer appeared before the Committee on Thursday 14<sup>th</sup> November, 2025 to adduce evidence on the audited financial statements for the National Land Commission Car loan and Mortgage Scheme Fund for the Financial Years 2020/2021 and 2021/2022. During the meeting, the Accounting Officer was accompanied by:
  - 1) Mr. Benard cherotich – DFCP
  - 2) Mr. ben Bett – DHRA
  - 3) CPA Daniel Mwalu – DFA
  - 4) Mr. Peter Odhiambo - HRM.
  - 5) Mr. Abdullahi Dowski - NLC/PAC
  - 6) Mr. Ken Mutai - Accountant.
  - 7) Mr. Elijah Letangule - DDFCP

**Financial Year 2020/2021**

**Report on the financial statements.**

Unmodified Opinion

2. There were no material issues noted during the audit of the financial statements of the Fund.

**Report on lawfulness and effectiveness in use of public resources.**

**Conclusion**

3. There were no material issues relating to lawfulness and effectiveness in use of public resources.

**Report on effectiveness of internal controls, risk management and governance.**

**Conclusion.**

4. There were no material issues relating to lawfulness and effectiveness in use of public resources.

**Financial Year 2021/2022.**

**1) Unreconciled Long-Term Receivables from Exchange Transactions.**

5. The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.48,993,645 as disclosed in Note 5 to the financial statements. However, the loan statements from the bank reflects a total amount of Kshs. 41,875,799 resulting to an unexplained variance of Kshs.7,117,846.

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

6. Further, the current amount receivable in the next twelve (12) months was not separated from the long-term receivables from exchange transactions balance of Kshs. 48,993,645 contrary to the requirement of the reporting template. In the circumstances, the accuracy and fair presentation of the long-term receivables from exchange transactions balance of Kshs.48,993,645 could not be confirmed.

**Submissions of the Accounting Officer**

7. The Accounting Officer submitted—  
There were variances in the long term receivables, which have since been explained and balances of each beneficiary tied to the bank balances of the individual beneficiaries to eliminate the variances. The variances was a result of payroll ledger using straight-line method of amortization and the bank using reducing balance method of amortization on the beneficiary account. The Commission has since adopted reducing balance method to eliminate any future variances.Going forward the Commission undertook to separate in the next subsequent financial year’s receivables from exchange transaction as per the reporting templates.

**Observations of the Committee.**

8. **The Committee observed that—**
  - i. **The variance of Kshs.7, 117, 846 was not supported with reconciliation or entries to correct the anomaly.**
  - ii. **The matter is unresolved**

**Recommendations by the committee**

9. **The Committee recommended that within three months of the adoption of this report, the Accounting Officer to submit documents supporting reconciliation of Kshs.7, 117, 846 to the Auditor-General for audit verification.**

**2) Failure by the Steering Committee to Hold Requisite Meetings.**

10. Perusal of the Steering Committee meetings minutes revealed that during the year under review, the Committee held three (3) meetings. This was contrary to Regulation 6(5) of the National Land Commission Housing Scheme Fund Regulations, 2016 which states that, the Committee shall meet at least four times in a year and the period between one meeting of the Committee and the next shall not exceed four (4) months. In the circumstances, the Management was in breach of the Regulations.

**Submissions of the Accounting Officer**

11. The Accounting Officer submitted—  
The Accounting officer acknowledged that steering committee held only three meetings during the year under review and committed that going forward mechanisms have been put in place

to ensure compliance with the regulations by holding quarterly meetings therefore ensuring full compliance with the requisite meetings number annually.

**Observations of the Committee**

**12. The Committee observed that—**

- (i) **The Steering Committee was in breach of Regulation 6(5) of the National Land Commission Housing Scheme Fund Regulations, 2016 which provides that, the Committee shall meet at least four times in a year.**
- (ii) **The matter is unresolved**

**The Committee Recommendations**

**13. The Committee recommends that**

- i) The Steering Committee conducts meetings in accordance with the National Housing Scheme Fund Regulations .**
- ii) Within three months of the adoption of this report the Cabinet Secretary for Treasury and National Planning to take appropriate disciplinary action against the Accounting Officer in accordance with the provisions of section 74 of the Public Finance Management Act.**

**Financial Year 2020/2021**

**Report on the financial statements.**

**Unmodified Opinion**

14. There were no material issues noted during the audit of the financial statements of the Fund.

**Report on lawfulness and effectiveness in use of public resources.**

**Conclusion**

15. There were no material issues relating to lawfulness and effectiveness in use of public resources.

**Report on effectiveness of internal controls, risk management and governance.**

**Conclusion.**

16. There were no material issues relating to lawfulness and effectiveness in use of public resources.

**Financial Years 2021/2022.**

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

17. The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.2,792,520 as disclosed in Note 5 to the financial statements. However, the schedule of receivables provided for audit review reflected a balance of Kshs. 2,419,673 resulting in an unexplained variance of Kshs.372,847. In the circumstances, the accuracy

SPECIAL FUND ACCOUNTS COMMITTEE- CAR LOAN AND MORTGAGE SCHEMES FUND

and completeness of the long-term receivables from exchange transaction balance of Kshs. 2,792,520 could not be confirmed.

**Submissions of the Accounting Officer.**

18. The Accounting officer submitted that—

There were variances of the long term receivables, they have since been provided for and explained and the balances of each beneficiary tied to the bank balances of the individual beneficiaries to eliminate the variances. The variances were a result of the payroll ledger using straight-line method of amortization and the bank using reducing balance method of amortization on the beneficiary account. The Commission has since adopted reducing balance method to eliminate any future variances.

**Observations of the Committee**

19. The Committee observed that—

- (i) The variance of Kshs.372, 847 was not supported with reconciliation or entries to correct the anomaly.
- (ii) The matter is unresolved.

**Recommendations by the Committee**

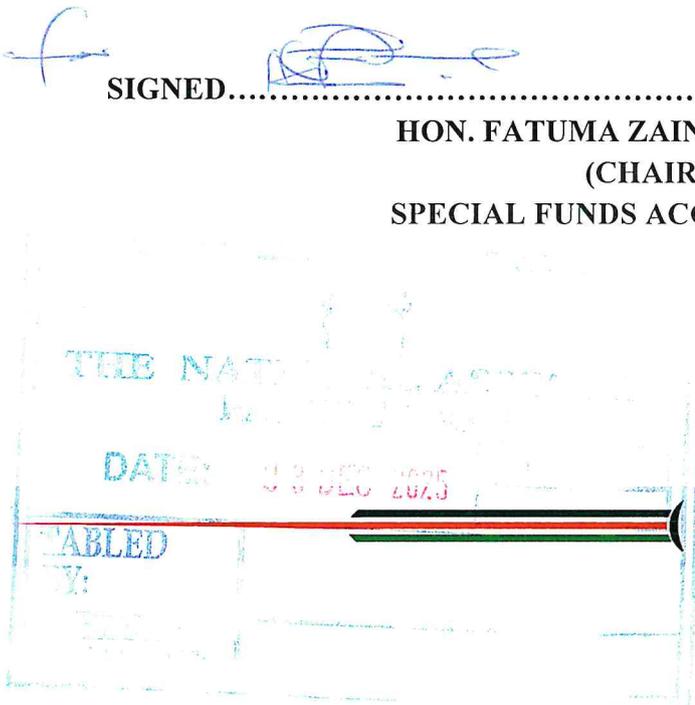
20. The Committee recommends that within three months of the adoption of this report—

- i) The Accounting Officer must submit reconciliation entries to support the variance of Kshs.372, 847 to the Auditor-General for audit verification.
- ii) The Accounting Officer should ensure 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, 2015 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.

SIGNED.....DATE.....

HON. FATUMA ZAINAB MOHAMMED, MP  
(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE



**THIRTEENTH PARLIAMENT – SECOND SESSION**

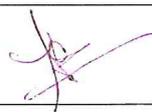
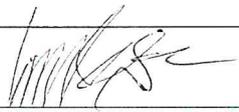
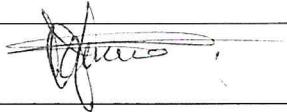
**THE NATIONAL ASSEMBLY**

**SPECIAL FUNDS ACCOUNTS COMMITTEE.**

**ADOPTION LIST FOR THE**

**REPORT ON AUDITED FINANCIAL STATEMENTS FOR  
THE:**

**Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage  
scheme Fund - 2018/2019 to 2021/2022.**

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - <b>Chairperson</b>	
2.	Hon. Dawood Abdul Rahim, HSC, MP – <b>Vice-Chairperson</b>	
3.	Hon. Otucho Mary Emaase Mp	
4.	Hon. Charles Ngusya Nguna, MP	
5.	Hon. Dr. Christine Ombaka Oduor, MP	
6.	Hon. Erastus Kivasu Nzioka, MP	
7.	Hon. Eve Akinyi Obara, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyoo, MP	
11.	Hon. Cecilia Asinyen Ngigit, MP	
12.	Hon. Erick Kahugu Mwangi MP	
13.	Hon. Joseph Kimutai Cherorot, MP	
14.	Hon. Paul Biego Kibichy, MP	
15.	Hon. Onchoke Charles Mamwacha, MP	

**THIRTEENTH PARLIAMENT – SECOND SESSION**

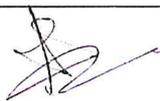
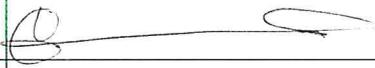
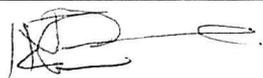
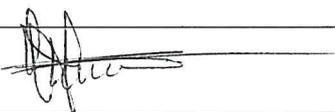
**THE NATIONAL ASSEMBLY**

**SPECIAL FUNDS ACCOUNTS COMMITTEE.**

**ADOPTION LIST FOR THE**

**REPORT ON AUDITED FINANCIAL STATEMENTS FOR  
THE:**

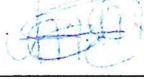
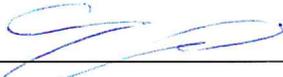
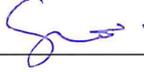
**National Land Commission Car Loan and Mortgage Scheme Fund -2020/2021 and 2021/2022.**

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - <b>Chairperson</b>	
2.	Hon. Dawood Abdul Rahim, HSC, MP – <b>Vice-Chairperson</b>	
3.	Hon. Otucho Mary Emaase Mp	
4.	Hon. Charles Ngusya Nguna, MP	
5.	Hon. Dr. Christine Ombaka Oduor, MP	
6.	Hon. Erastus Kivasu Nzioka, MP	
7.	Hon. Eve Akinyi Obara, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyoo, MP	
11.	Hon. Cecilia Asinyen Ngigit, MP	
12.	Hon. Erick Kahugu Mwangi MP	
13.	Hon. Joseph Kimutai Cherorot, MP	
14.	Hon. Paul Biego Kibichy, MP	
15.	Hon. Onchoke Charles Mamwacha, MP	

**THIRTEENTH PARLIAMENT – SECOND SESSION  
THE NATIONAL ASSEMBLY  
SPECIAL FUNDS ACCOUNTS COMMITTEE.**

**ADOPTION LIST FOR THE  
REPORT ON AUDITED FINANCIAL STATEMENTS FOR  
THE:**

**Public Service Commission Car Loan and Mortgage Scheme Fund –  
2018/2019 to 2021/2022.**

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - <b>Chairperson</b>	
2.	Hon. Dawood Abdul Rahim, HSC, MP – <b>Vice-Chairperson</b>	
3.	Hon. Otucho Mary Emaase Mp	
4.	Hon. Charles Ngusya Nguna, MP	
5.	Hon. Dr. Christine Ombaka Oduor, MP	
6.	Hon. Erastus Kivasu Nzioka, MP	
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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. Paul Biego Kibichy, MP	
15.	Hon. Onchoke Charles Mamwacha, MP	

**THIRTEENTH PARLIAMENT – SECOND SESSION**

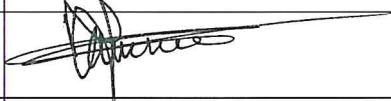
**THE NATIONAL ASSEMBLY**

**SPECIAL FUNDS ACCOUNTS COMMITTEE.**

**ADOPTION LIST FOR THE**

**REPORT ON AUDITED FINANCIAL STATEMENTS FOR  
THE:**

**Office of Director of Prosecutions Car Loan and Mortgage Car loan and  
Mortgage scheme Fund - 2018/2019 to 2021/2022.**

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - <b>Chairperson</b>	
2.	Hon. Dawood Abdul Rahim, HSC, MP – <b>Vice-Chairperson</b>	
3.	Hon. Otucho Mary Emaase Mp	
4.	Hon. Charles Ngusya Nguna, MP	
5.	Hon. Dr. Christine Ombaka Oduor, MP	
6.	Hon. Erastus Kivasu Nzioka, MP	
7.	Hon. Eve Akinyi Obara, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyoo, MP	
11.	Hon. Cecilia Asinyen Ngigit, MP	
12.	Hon. Erick Kahugu Mwangi MP	
13.	Hon. Joseph Kimutai Cherorot, MP	
14.	Hon. Paul Biego Kibichy, MP	
15.	Hon. Onchoke Charles Mamwacha, MP	

**MINUTES OF THE 29<sup>TH</sup> SITTING IN THE FOURTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON TUESDAY, 25<sup>TH</sup> NOVEMBER 2025, IN COMMITTEE ROOM 12 ON 2<sup>ND</sup> FLOOR, BUNGE TOWERS AT 10.00AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Charles Ngusya Nguna, MP
3. Hon. Otucho Mary Emaase, MP
4. Hon. Tom Mboya Odege, MP
5. Hon Onchoke Charles Mamwacha, MP
6. Hon. Catherine Nakhabi Omanyoo, MP

**APOLOGIES**

1. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
2. Hon. Eve Akinyi Obara, MP
3. Hon. Joseph Majimbo Kalasinga, MP
4. Hon. Erastus Kivasu Nzioka, MP
5. Hon. Paul Kibichi Biego, MP
6. Hon. Dr. Christine Ombaka Oduor, MP
7. Hon. Joseph Kimutai Cherorot, MP
8. Hon. Cecilia Asinyen Ngitit, MP
9. Hon. Kahugu Erick Mwangi, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Erick Nyambati - Senior Clerk Assitant
2. Ms. Mercy Kinyua - Legal Counsel II
3. Ms. Bevaline Mosoti - Research Officer III
4. Mr. Derrick Kathurima - Media Relations Officer III
5. Mr. Joshua Lenambet - Sergeant-at-arms
6. Ms. Felistus Muiya - Public Communications Officer III
7. Mr. Peter Mutethia - Audio Officer III

**MIN. NA/AA&GPC-SFAC/2025/094 PRELIMINARIES**

The Chairperson called the meeting to order at 9.50 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Consideration and adoption of the following reports on the audited financial statements —**
  - a) **Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022.**



- b) **The Office of the Director of Public Prosecutions Car Loan and Mortgage Scheme Fund For Financial Years 2018/2019 to 2021/2022.**
  - c) **State Officers and Public Officers Motor Car Loan Scheme Fund for Financial Years 2019/2020 To 2021/ 2022.**
  - d) **Cooperative Societies Liquidation Account Fund for Financial Years 2018/2019 To 2022/2023.**
  - e) **Management and Supervision Fund for Financial Years 2018/2019 To 2022/ 2023.**
- 4. Any Other Business.
  - 5. Adjournment Date of the next meeting.

## **MIN. NA/AA&GPC-SFAC/2025/095 CONSIDERATION AND ADOPTION OF REPORTS.**

### **1. Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022.**

The Committee unanimously adopted the report on the consideration of the audited accounts of the Public Service Commission Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022. The adoption of the report was proposed by Hon. Charles Nguna Ngusya, MP. and seconded by Hon. Tom Odege, MP.

### **2. The Office of the Director of Public Prosecutions Car Loan and Mortgage Scheme Fund For Financial Years 2018/2019 to 2021/2022.**

The Committee unanimously adopted the report on the consideration of the audited accounts of The Office of the Director of Public Prosecutions Car Loan and Mortgage Scheme Fund For Financial Years 2018/2019 to 2021/2022.

The adoption of the report was proposed by Hon. Otucho Mary Emaase, MP. and seconded by Hon. Onchoke Charles Mamwacha, MP.

### **3. State Officers and Public Officers Motor Car Loan Scheme Fund for Financial Years 2019/2020 To 2021/ 2022.**

The Committee unanimously adopted the report on the consideration of the audited accounts of State Officers and Public Officers Motor Car Loan Scheme Fund for Financial Years 2019/2020 To 2021/ 2022.

The adoption of the report was proposed by Hon. Otucho Mary Emaase, MP. and seconded by Hon. Charles Nguna Ngusya, MP.

### **4. Cooperative Societies Liquidation Account Fund for Financial Years 2018/2019 To 2022/2023.**

The Committee unanimously adopted the report on the consideration of the audited accounts of Cooperative Societies Liquidation Account Fund for Financial Years 2018/2019 To 2022/2023.

The adoption of the report was proposed by Hon. Tom mboya Ondege, MP. and seconded by Hon. Onchoke Charles Mamwacha, MP.

**5 Management and Supervision Fund for Financial Years 2018/2019 To 2022/ 2023.**

The Committee unanimously adopted the report on Management and Supervision Fund for Financial Years 2018/2019 To 2022/ 2023.

The adoption of the report was proposed by Hon. Otucho Mary Emaase, MP. and seconded by Hon. Charles Nguna Ngusya, MP.

**NA/AA&GPC-SFAC/2025/96 ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.00 Noon. The next meeting will be held on notice.



SIGNED.....DATE..... 27/11/25

**HON. FATUMA ZAINAB MOHAMMED, MP  
(CHAIRPERSON)  
SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 25<sup>TH</sup> SITTING IN THE FOURTH SESSION OF SPECIAL FUNDS ACCOUNTS COMMITTEE HELD ON WEDNESDAY, 12<sup>TH</sup> NOVEMBER 2025, IN COMMITTEE ROOM 12 ON 2<sup>ND</sup> FLOOR, BUNGE TOWERS AT 10.00AM.**

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**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. Charles Ngusya Nguna, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Cecilia Asinyen Ngigit, MP
7. Hon. Joseph Majimbo Kalasinga, MP
8. Hon. Joseph Kimutai Cherorot, MP
9. Hon. Catherine Nakhabi Omanyo, MP

**APOLOGIES**

1. Hon. Otucho Mary Emaase, MP
2. Hon. Paul Kibichi Biego, MP
3. Hon. Eve Akinyi Obara, MP
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Onchoke Charles Mamwacha, MP
6. Hon. Kahugu Erick Mwangi, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Erick Nyambati - Senior Clerk Assitant
2. Ms. Comfort Achieng - Clerk Assistant III
3. Ms. Mercy Kinyua - Legal Counsel II
4. Ms. Bevaline Mosoti - Research Officer III
5. Mr. Derrick Kathurima - Media Relations Officer III
6. Mr. Joshua Lenambet - Sergeant-at-arms
7. Ms. Felistus Muiya - Public Communications Officer III
8. Mr. Peter Mutethia - Audio Officer III

**MIN. NA/AA&GPC-SFAC/2025/074 PRELIMINARIES**

The Chairperson called the meeting to order at 9.58 am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers.
2. Preliminaries/Introductions.
3. **Consideration and adoption of the following reports on the audited financial statements —**

- a) Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022
  - b) National Land Commission Car loan and Mortgage scheme fund
4. Any Other Business.
  5. Adjournment Date of the next meeting.

**MIN. NA/AA&GPC-SFAC/2025/075 CONSIDERATION AND ADOPTION OF REPORTS.**

**1. Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022**

The Committee unanimously adopted the report on the consideration of the audited accounts of the Kenya Universities and Colleges Central Placement Staff Car loan and Mortgage scheme Fund for the Financial Years 2018/19 to 2021/2022. The adoption of the report was proposed by Hon. Erastus Kivasu, MP. and seconded by Hon. Tom Odege, MP

**2. National Land Commission Car loan and Mortgage Scheme Fund for the Financial Years 2020/2021 and 2021/2022.**

The Committee unanimously adopted the report on the consideration of the audited accounts of the National Land Commission Car loan and Mortgage Scheme Fund for the Financial Years 2020/2021 and 2021/2022. The adoption of the report was proposed by Hon. Erastus Kivasu, MP. and seconded by Hon. Charles Nguna Ngusya, MP

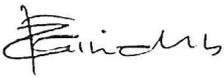
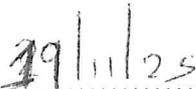
**MIN. NA/AA&GPC-SFAC/2025/076 ANY OTHER BUSINESS**

**Retreat with the State Department of Petroleum**

- i) The Committee was informed that State Department for Petroleum had proposed a two-day retreat from **13th to 16th November, 2025** to examine the audited accounts of Petroleum Development Levy Fund and Petroleum Training Fund for the Financial Years 2018/2019 to 2023/2024.
- i) The Committee resolved to postpone the retreat to the week of **20<sup>th</sup> - 23<sup>rd</sup> November 2025** since most Members will be unavailable during this period

**NA/AA&GPC-SFAC/2025/77 ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 11.58 a.m. The next meeting will be held on notice.

SIGNED..........DATE..........

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 34<sup>th</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 1<sup>st</sup> AUGUST 2024, 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING AT 9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Catherine Nakhabi Omanyoo, MP
4. Hon. Cecilia Asinyen Ngitit, MP
5. Hon. Erastus Kivasu Nzioka, MP
6. Hon. Eve Akinyi Obara, MP
7. Hon. Joseph Majimbo Kalasinga, MP
8. Hon. Joseph Kimutai Cherorot, MP
9. Hon. Kahugu Erick Mwangi, MP
10. Hon. Paul Kibichi Biego, MP
11. Hon. Tom Mboya Odege, MP

**APOLOGIES**

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Joshua Odongo Oron, MP

**IN ATTENDANCE**

**Office of the Director of Public Prosecutions Loan and Mortgage Scheme Fund**

1. Mr. Renson Ingonga - Director of Public Prosecutions.
2. Ms. Mediatrix Rapando - DHRM ODPP
3. Ms. Zuwene Zainabu - Prosecutions CA.
4. Mr. Hassan Abdi - ODPP.
5. Mr. Alloys Kemo - ODPP PTI
6. Ms. Jacinta Nyamosi - Deputy Director.
7. Mr. Nkaduda Hiribae - Deputy Director, CFS.
8. Mr. Michael Sang - CA & RP
9. Ms. Christine Gakoso - PTI.
10. Ms. Irene Mobangi - ODPP Finance
11. Mr. Geoffrey Obiro - EI & OC
12. Mr. Kioko Maundu - SA ODPP.
13. Mr. Martin Aoko - ODPP.
14. Mr. Frankword Dauddo - SA ODPP

**Office of the Auditor General**

1. Ms. Sophia Wadulo - Director.

2. Mr. David Osiemo - Liason Officer
3. Ms. Florence Amollo - Principal Auditor.
4. Dr. Cyrus Munyua - The National Treasury.

#### **NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Eric Nyambati - Clerk Assistant I
2. Mr. Nimrod Mate - Clerk Assistant III
3. Ms. Mercy Ondego - Research Officer III
4. Mr. Derrick Kathurima - Media Relations Officer III
5. Mr. Festus Muiya - Public Communications Officer
6. Mr. Joshua Lenambeti - SSAA II
7. Mr. Allan Kimani - Audio Intern
8. Ms. Glory Nkatha - Public Comms Intern

#### **MIN. NA/AA&GPC-SFAC/2024/044: PRELIMINARIES**

The Chairperson called the meeting to order at 10.00am, 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 Report of the Office of Director of Public Prosecutions Car Loan and Mortgage scheme Fund for the Financial Years 2018/2019 to 2021/2022.**
4. Any Other Business
5. Adjournment/ Date of the next meeting.

Mr. Nkaduda Haribae who officially represented the Director Public Prosecutions undertook the oath of witness. He tabled the management responses and supporting documents on the audited accounts of the ODPP for the financial years 2018/2019 to 2021/2022.

**MIN. NA/AA&GPC-SFAC/2024/045:** Examination of Auditor General Reports of financial Statements of the ODPP for the financial years 2018/2019 to 2021/2022.

#### **Brief on the mandate and scope of the Fund**

The Fund was established in the year 2017 and is run by a Fund Administration Committee in conjunction with the Consolidated Bank of Kenya as the Fund manager. The interest chargeable is 3% on a reducing balance basis and is used to settle administrative costs. The seed capital for the scheme at the beginning was Ksh.100 million with Ksh.70 million allocated to Mortgage and Ksh.30 million to car loans. Being a revolving fund, repayments from members of staff is used to issue new loans. The fund also receives annual disbursements from the exchequer.

### **1. Misleading Disclosures on Budget Information in the financial statements.**

The query indicated that the statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance presented under 9 of the financial statements. However, no reconciliation statement has been presented at page 9 of the financial statements. The Agency indicated it was a typo and the reconciliation has been provided.

*The committee noted that according to the OAG, the matter was still pending.*

### **2. Unexplained variance in current assets**

The statement of financial position reflects total assets balance of Kshs.143, 407,731 while the recomputed amount is Kshs.143, 557,731 resulting to an unexplained variance of Kshs.150, 000. Consequently, the accuracy of the current assets balance as at 30 June, 2019 could not be confirmed.

*The committee noted that this matter is yet to be resolved.*

### **3. Failure to support the balance with a board of survey report.**

The statement of financial position reflects cash and cash equivalents balance of Kshs. 132,038,808. However, the balance was not supported with a board of survey report as at 30 June, 2019. In response, the agency committed to conduct board of survey in the subsequent years and attached a certified cashbook, certificate of balances and bank reconciliations.

*The committee noted that this matter is yet to be resolved and directed the agency to ensure that this is done within three months.*

### **4. Incomplete Bank Statements**

The scheme's staff housing mortgage and assets finance fund accounts held had closing balances of Kshs.91,438,329 and Kshs.38,554,086 respectively, according to the bank certificates. However, the bank statements provided for audit review reflects lump sum cash receipts (credits) and loan disbursements to beneficiaries (Debits) without details on interest income and individual borrower's principal amounts repayments. In addition, individual borrowers loan statements from the bank were not provided for reconciliation with schedules provided for audit by the Scheme Management.

In the circumstances, the accuracy and completeness of the cash and cash equivalence balance of Kshs.132, 038,808 could not be confirmed.

In response the agency said that they had instructed consolidated bank to be crediting the principal amounts to their accounts on a monthly basis. Further they had directed them to provide a breakdown of the lump sum amounts.

*The OAG said that this matter is partially addressed.*

*The Committee directed that this reconciliation be done within two weeks.*

### **5. Late Submission of Financial Statements**

The Scheme's annual report and financial statements were submitted to the Auditor-General on 18 August 2022 which was thirty-eight (38) months after the statutory deadline of 30 September,

2019. This is contrary to Section 84(3) of the Public Finance Management Act, 2012 which requires the Administrator of a national public fund to prepare and submit the financial statements thereof to the Auditor-General not later than three months after the end of each financial year. In the circumstances, Management was in breach of the law.

In response, the agency committed to ensure compliance with Section 47(1) of the Public Audit Act, 2015.

The committee said that it will deal with the matter at report writing.

**6. Unaccounted for Principal Amount Repaid**

A review of the loan repayment schedule and statements revealed that amounts of Kshs. 6,251,222 and Kshs.3,036,282 both totalling Kshs.9,287,504 in respect of car loan and mortgage loan were deducted as the principal amount recovered and remitted to the Consolidated Bank of Kenya. However, a review of the bank statements showed that a lump sum principal repayment of Kshs. 6,537,415 was credited to staff mortgage account Kshs.2,188,329 and asset finance fund account Kshs. 4,349,086 on 10th April, 2019 resulting to unaccounted for balance of Kshs.2, 750,089. However, the Management did not disclose any lien account where the remaining amount was held pending crediting to the Scheme's accounts. In the circumstances, regularity in the use of the principal amount repaid could not be confirmed.

In response, the agency said that they had instructed consolidated bank to be crediting the principal amounts to their account on a monthly basis. An internal committee has been set up to reconcile the work of the scheme and its relationship with service provider.

The OAG said that this matter is yet to be resolved.

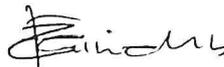
**The matters outlined above kept on reoccurring in the financial years 2019/2020, 2020/2021 and 2021/2022.**

The committee directed the following to be done within two weeks;

- A reconciliation be done from year 2017 to-date on utilization of the seed capital.
- Interest earned and retained or used.
- Annual exchequer amounts received.
- Memorandum of understanding (M.O.U) entered with the Consolidated Bank to be availed.

**MIN. NA/AA&GPC-SFAC/2024/046: ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.10pm. The next meeting will be held on notice.

SIGNED..........DATE.....

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 31<sup>ST</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 13<sup>TH</sup> JUNE 2024, 5<sup>TH</sup> FLOOR, CONTINENTAL BUILDING AT 9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyoo, MP
5. Hon. Eve Akinyi Obara, MP
6. Hon. Paul Kibichi Biego, MP
7. Hon. Tom Mboya Odege, MP

**APOLOGIES**

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Cecilia Asinyen Ngitit, MP
5. Hon. Joseph Majimbo Kalasinga, MP
6. Hon. Joseph Kimutai Cherorot, MP
7. Hon. Joshua Odongo Oron, MP
8. Hon. Kahugu Erick Mwangi, MP

**IN ATTENDANCE**

**Office of the Director of Public Prosecutions Loan and Mortgage Scheme Fund**

1. Mr. Renson Ingonga - Director of Public Prosecutions.
2. Ms. Zuwene Zamadu - Prosecutions CA.
3. Mr. Hassan Abdi - ODPP.
4. Ms. Jacinta Nyamosi - Deputy Director.
5. Mr. Nkaduda Hiribae - Deputy Director, CFS.
6. Mr. Michael Sang - CA & RP
7. Ms. Christine Gakoso - PTI.
8. Mr. Kioko Maundu - SA ODPP.
9. Mr. Frankword Dauddo - SA ODPP

**Office of the Auditor General**

1. Ms. Josephine Warega - Director.
2. Mr. David Osiemo - Liason Officer
3. Ms. Jane Chege - Principal Auditor.

**NATIONAL ASSEMBLY SECRETARIAT**

1. Ms. Comfort Achieng - Clerk Assistant III

- 2. Mr. Nimrod Mate - Clerk Assistant III
- 3. Ms. Judith Kanyoko - Legal Counsel II
- 4. Mr. Ngetich Robia - Fiscal Analyst
- 5. Ms. Mercy Ondego - Research Officer III
- 6. Mr. Derrick Kathurima - Media Relations Officer

**MIN. NA/AA&GPC-SFAC/2024/042: PRELIMINARIES**

The Chairperson called the meeting to order at 10.00am, 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 of the Office of the Director of Public Prosecutions Car Loan and Mortgage scheme Fund for the Financial Year 2018/2019 to 2021/2022.**
- 4. Any Other Business
- 5. Adjournment Date of the next meeting.

The Committee was informed by the OAG that the Agency had not prepared Audit reports since the Financial year 2018/ 2019. The committee directed that the agency goes back and prepares the reports and get another date rescheduled as soon as possible. The meeting therefore did not proceed further.

**MIN. NA/AA&GPC-SFAC/2024/043: ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 10.45 a.m. The next meeting will be held on notice

SIGNED..........DATE.....10/09/24.....

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 32<sup>ND</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 18<sup>TH</sup> JUNE 2024, COMMITTEE ROOM 9, MAIN PARLIAMENT BUILDINGS BUILDING AT 9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Catherine Nakhabi Omanyoo, MP
6. Hon. Eve Akinyi Obara, MP
7. Hon. Tom Mboya Odege, MP

**APOLOGIES**

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Cecilia Asinyen Ngigit, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Joseph Kimutai Cherorot, MP
6. Hon. Joshua Odongo Oron, MP
7. Hon. Paul Kibichi Biego, MP
8. Hon. Kahugu Erick Mwangi, MP

**IN ATTENDANCE**

**Public Service Commission Loan and Mortgage Scheme Fund**

- |                          |   |                              |
|--------------------------|---|------------------------------|
| 1. Mr. Remmy Mulati      | - | Ag Chief Executive Officer   |
| 2. Mr. Gerald Kuhaka     | - | Director Accounts            |
| 3. Mr. Patrick Malakweri | - | Deputy Director Supply Chain |
| 4. Mr. Joseph Njoroge    | - | Deputy Director Accounts     |

**Office of the Auditor General**

- |                        |   |                    |
|------------------------|---|--------------------|
| 1. Mr. David Osiemo    | - | Liason Officer     |
| 2. Mr. Stephen Karanu  | - | Director of Audit  |
| 3. MR. Samuel Nyamamba | - | Principal Auditor. |

**NATIONAL ASSEMBLY SECRETARIAT**

- |                          |   |                         |
|--------------------------|---|-------------------------|
| 1. Ms. Comfort Achieng   | - | Clerk Assistant III     |
| 2. Mr. Nimrod Mate       | - | Clerk Assistant III     |
| 3. Ms. Judith Kanyoko    | - | Legal Counsel II        |
| 4. Mr. Ngetich Robia     | - | Fiscal Analyst          |
| 5. Ms. Mercy Ondego      | - | Research Officer III    |
| 6. Mr. Derrick Kathurima | - | Media Relations Officer |

**MIN. NA/AA&GPC-SFAC/2024/036:**

**PRELIMINARIES**

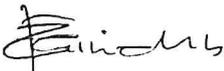
The Chairperson called the meeting to order at 10.00am, followed by a word of prayer and introductions. The following agenda was adopted as circulated:

1. Prayers
  2. Preliminaries/Introductions
  3. **Examination of the Auditor General Reports on Accounts of Public Service Commission Car Loan and Mortgage scheme Fund for the Financial Year 2018/2019 to 2021/2022.**
  4. Any Other Business
  5. Adjournment Date of the next meeting.
- a) The Committee was informed by the Auditor General that the Management had not prepared Financial Statements since the Financial year 2018/ 2019.
  - b) The committee directed that Management prepares the financial statements from 2018/2019 till date and rescheduled to another date for consideration.
  - c) The meeting therefore did not proceed further.

**MIN. NA/AA&GPC-SFAC/2024/037:**

**ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 10.45 a.m. The next meeting will be held on Thursday 20<sup>th</sup> June 2024.



15/07/24

SIGNED.....DATE.....

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 35<sup>th</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 6<sup>TH</sup> AUGUST 2024, 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING AT 9.30AM.**

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**PRESENT**

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

**APOLOGIES**

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Joshua Odongo Oron, MP

**IN ATTENDANCE**

**Public Service Commission Car Loan and Mortgage Scheme Fund**

1. Mr. Paul Famba - CEO PSC.
2. Mr. Lemmy Mulati - Deputy Commission Secretary, PSC.
3. Mr. Maina Njoroge - Deputy Finance, Planning & RM.
4. Mr. Gerald G. Kuhaka - Director, Administration.
5. Mr. Joseph Njoroge - Deputy Director, Accounts.
6. Mr. William M. Migwi - Deputy Director, Planning.
7. Mr. Simiyu Njalale - Deputy Director, Finance.
8. Mr. Patrick Malakwen - Deputy Director, Supply Chain.
9. Ms. Caroline C. Kiget - Deputy Director, HRM.
10. Ms. Naomi Sidi - Assistant Director, HRM.

**Office of the Auditor General**

1. Mr. Stephen K. Karanu - Director of Audit.
2. Mr. David Osiemo - Liason Officer
3. Mr. Samuel Nyamamba - Principal Auditor.

## NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Eric Nyambati - Clerk Assistant I
2. Mr. Nimrod Mate - Clerk Assistant III
3. Mr. Peter Baraza - Legal Counsel II
4. Ms. Mercy Ondego - Research Officer III
5. Mr. Derrick Kathurima - Media Relations Officer III
6. Mr. Felistus Muiya - Public Communications Officer
7. Mr. Peter Mutethia - Audio Officer III
8. Mr. Joshua Lenambeti - SSAA II
9. Ms. Glory Nkatha - Public Comm's Intern

### MIN. NA/AA&GPC-SFAC/2024/046

### PRELIMINARIES

The Chairperson called the meeting to order at 10.00am, 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 Report of the Public Service Commission Car Loan and Mortgage scheme Fund for the Financial Years 2018/2019 to 2022/2023.**
4. Any Other Business
5. Adjournment/ Date of the next meeting.

The CEO, Public Service Commission Mr. Paul Famba took the oath of witness. He tabled the management responses and supporting documents on the audited accounts of the Public Service Commission Car loan and Mortgage scheme fund for Financial Years 2017/2018 to 2022/2023.

**MIN. NA/AA&GPC-SFAC/2024/047;** Examination of Auditor General Reports of financial Statements for Financial Years 2017/2018 to 2022/2023.

#### **1. Late Submission of Financial Statements.**

Financial Statements were submitted to the Auditor-General on 30 October, 2023, approximately five years after the end of the financial year.

The agency responded that the amounts received by the fund were disclosed in Public Service Commission (PSC) financial statements for year 2021/2022.

The Committee noted that PFM Section 84(3) and Regulations 21(d) and 22 (b) of the Public Service Car loan Scheme Regulations 2018 and PSC Mortgage Scheme Regulations 2018 require prompt returns of financial statements and the penalties therein for lack of compliance.

#### **2. Unconfirmed Procurement of an Institution to Manage Car and Mortgage Scheme.**

Fund Management entered into an agreement on 27 February, 2018 without any bidding. However, procurement records indicating how the financial institution was identified and awarded the tender were not provided for audit review.

In response, the agency said the Fund engaged National Treasury for guidance on suitable organization to administer the fund as per Regulation 10 of Regulations of the PSC Car Scheme Regulations, 2018 and PSC Mortgage Scheme.

The committee noted that this matter had not been addressed.

### **3. Unfavorable Clauses in Contract Agreement with a Financial Institution.**

An agreement dated 27 February, 2018 with a financial institution revealed that, the agreement provides for an interest rate of five (5) percent on the loans contrary to SRC Circular which approved an interest rate of three (3) percent per annum. Further, the agreement provides for charging of 4% and 3.5% administration fee on car loans and mortgage loans and further levy a negotiation fee of 1% and a monthly ledger fee of Kshs.350.

In addition, Funds is to maintain lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount, which earns interest of 1.5% per annum thus denying beneficiaries to access the loans and Fund an opportunity to earn optimal revenue.

In response the agency said the proposed changes in the Draft Regulations that addresses high administration fees will be addressed as follows:

- Administration fee of 3.5% to be removed.
- Negotiation fee of 1% of mortgage loan principal to be removed since the funds are not sourced from the administering bank.
- Ledger fee of Kshs 350 per month to be removed and
- The interest charged shall be at a rate of not more than three (3) percent per annum for mortgage and car loans on a monthly reducing balance.

The committee noted that this matter is yet to be addressed.

### **4. Irregular Consolidation of Two Separate Funds.**

Financial statements are in respect of Public Service Commission Car Loan Scheme and the Public Service Commission Mortgage Scheme. However, the Fund Management prepared consolidated financial statements.

In Response the agency said that the Commission used a reporting template from National treasury, which provides for disclosure of the two funds statement as per statement of financial position and statements of cash flows. Separate supporting documents were issued to auditors.

The Committee noted that this matter had not been addressed.

**Please note that the four queries were repeated in Financial Years 2019, 2020, 2021, 2022 and 2023.**

**MIN. NA/AA&GPC-SFAC/2024/048: ADJOURNMENT/DATE OF NEXT MEETING**  
There being no other business, the meeting was adjourned at 12.10pm. The next meeting will be held on notice.



SIGNED.....DATE 15/09/24.....

**HON. FATUMA ZAINAB MOHAMMED, MP**  
**(CHAIRPERSON)**  
**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 4<sup>TH</sup> SITTING OF SPECIAL FUNDS ACCOUNTS COMMITTEE  
HELD ON TUESDAY, 20<sup>TH</sup> FEBRUARY 2024, MINI CHAMBER COUNTY HALL AT  
9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Faith Wairimu Gitau,
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Catherine Nakhabi Omanyoo, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Paul Kibichi Biego, MP

**APOLOGIES**

1. Hon. Eve Akinyi Obara, MP
2. Hon. Joseph Majimbo Kalasinga, MP
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Dr. Christine Ombaka Oduor, MP
5. Hon. Joseph Kimutai Cherorot, MP
6. Hon. Joshua Odongo Oron, MP
7. Hon. Kahugu Erick Mwangi, MP

**IN ATTENDANCE**

**KUCCPS MORTGAGE SCHEME FUND**

1. Ms. Agnes Mercy Wahome - CEO KUCCPS
2. Mr. Michael Kimani - Finance Manager
3. Mr. Eric Asande - Senior Accountant

**OFFICE OF THE AUDITOR-GENERAL**

1. Mr. David Osiemo - Liason Officer.
2. Mr. Gideon Nyamwea - OAG
3. Ms. Josephine Warega - OAG

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Erick Nyambati - Clerk Assistant I
2. Ms. Comfort Achieng - Clerk Assistant III
3. Mr. Nimrod Mate - Clerk Assistant III
4. Ms. Judith Kanyoko - Legal Counsel II
5. Mr. Derrick Kathurima - Media Relations Officer
6. Ms. Pauline Sifuma - Hansard Reporter III
7. Ms. Mariam Gabow - Public Communications Officer

- |                         |                         |
|-------------------------|-------------------------|
| 8. Mr. Peter Mutethia   | - Hansard Audio officer |
| 9. Mr. Benard Omondi    | - Sergeant-at-arms      |
| 10. Mr. Abdifatah Mahat | - Attachee              |

**MIN. NA/AA&GPC-SFAC/2024/011:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 10.01am, 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 of the Kenya Universities and Colleges Central Placement Staff Car Loan and Mortgage scheme fund for the Financial Years 2018/2019 to 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, the Chief Executive Officer and the Accounting Officer for the Kenya Universities and Colleges Central Placement staff Car Loan and Mortgage scheme fund undertook the oath of witness. He tabled the management responses and supporting documents on the audited accounts for the financial years 2018/2019 to 2021/2022.

**MIN. NA/AA&GPC-SFAC/2024/012: CONSIDERATION OF THE AUDIT REPORTS OF THE KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2018/2019 to 2021/2022**

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

The Accounting officer briefed the Committee on the operations and the Kenya Universities and Colleges Central Placement Staff Car Loan and Mortgage scheme Fund for the financial years 2018/2019 to 2021/2022.

**Examination of the Auditor General reports for the Kenya Universities and Colleges Central Placement Staff Car Loan and Mortgage scheme fund for the financial years 2018/2019 to 2021/2022.**

The Committee examined the Auditor General's report for the Kenya Universities and Colleges Central Placement Staff Car Loan and Mortgage scheme fund for the financial years 2018/2019 to 2021/2022 as follows:

**FINANCIAL YEAR 2018/2019**

**1. Inaccuracies in Financial Statements**

**1.1 Statement of Cash Flow**

The statement of cash flow reflects cash and cash equivalent of an amount of Kshs 139,412,583.

However, casting the accuracy and review of statements revealed that the cash equivalent as at 1 July, 2018 was not included resulting to understatement of an amount of Kshs 156,655,556 was not included resulting to understatement of an amount of Kshs 156,655,556 not explained. In circumstances, the accuracy and completeness of the cash and cash equivalents of an amount of Kshs 139,412,583 could not be confirmed.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The Cash flow was prepared under the direct method as recommended by the Public Sector Accounting Board. In this method you start with the opening balance at the beginning of the year, reflect the cash flows to arrive at the cash position as at the end of the period/year. The amount of Kshs 156,655,583 was the balance as at 30 June 2018 and therefore the opening balance for the Financial Year 2018/2019 as at 1<sup>st</sup> July 2018. The period had a net cash outflow of Kshs 17,242,973 resulting to a reduced cash position of Kshs 139,412,583 as at 30<sup>th</sup> June 2019 as computed below.

Cash and cash equivalent 1/7/2018	Kshs 156,655,556
Net decrease in cash and cash equivalent	Kshs (17,242,973)
Cash and cash equivalent 30/6/2019	<b>Kshs 139,412,583</b>

#### **Findings and Observations of the Committee**

The Committee observed the following;

- i. The statement from Management had been observed to be accurate.**
- ii. The matter is resolved.**

#### **1.2 Statement of financial Performance**

Review of the statement of financial performance revealed a nil balance in respect of 3% commission on service providers. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance.

In the circumstances, the accuracy and completeness of the nil balance in respect of 3% commission on service provider could not be confirmed.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The HFC bank account opened and operated as deposit account for advancing the house mortgage and car loans to the Placement Service staff. The account does not attract bank charges but management negotiated with the bank to earn some interest on unutilized funds. The bank withholds 15% on interest earned and the same is remitted to Kenya Revenue Authority as required by law. The amount of Kshs 329,644 was part of the withheld tax on interest earned on the unutilized deposit fund. The Placement Service treated the withheld tax as a prepayment until the same is claimed while making annual returns after the year end. The Placement Service does not incur expenses to operate the HFC bank account instead the staff incur an administration

expense which is directly recovered from them and remitted with monthly mortgage and car loan instalments.

### **Findings and Observations of the Committee**

The Committee observed the following;

- i. The amount appeared as debit in the bank statement and ought to have been reflected in the statement of financial performance as an expense.
- ii. Management had explained that they treated it as a prepayment however, the amount had not reflected in the statement of financial position.
- iii. The Matter remained unresolved.

### **Late submission of financial statements**

The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30<sup>th</sup> June, 2019 were submitted to the Auditor-General on 27 March, 2023, forty-five (45) months after the statutory deadline to submit of 30 September, 2019. This was contrary to section 47(1) of the public Audit Act,2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act,2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. In the circumstances, Management was in breach of the law.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2019, which were submitted by 30 September 2019 to Auditor General for audit as required. At that time, there were no guideline from Public Sector Accounting Standards Board that the Mortgage accounts should be submitted separately.

The Placement Service therefore did not prepare separate financial statement for Staff Mortgage and Car loan scheme annual report and financial statements and continued preparing consolidated financial statements.

Upon the release of the guidelines and templates for preparation of separate financial statements, the Placement Service prepared the Annual Reports and Financial Statement for the year ended 30 June 2022 and submitted by 30 September 2022 as required by the law. **(Attached screenshot of the Car loan and mortgage funds template released in 2021-2022 from the PSASB website).**

The Office of the Auditor General guided that we prepare the Financial Statements for the earlier years.

### **Findings and Observations of the Committee**

The Committee observed the following;

- i. Management has explained that the reporting template was issued on 30 June, 2022 although financial statements were submitted on 27 March,2023 9 months later.

- ii. **Management was in breach of Section 68 2(k) of the Public Finance Management Regulations, 2015 which requires preparing of the annual financial statements for each financial year within three months after end of the financial year, and submit to the Controller of Budget and the Auditor General for audit.**
- iii. **Management in the subsequent financial years have complied with the reporting template issued.**
- iv. **Matter is resolved**

## **2. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements.**

The Fund submitted the financial statements for audit during the year the under review.

However, inconsistencies on the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the Financial Statements, Chairman's Report and Staff Mortgage and Car Loan Scheme Committee Report. In addition, the Statement of Change in Net Assets presented the balances of the previous year and not the year under review.

In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The chief executive officer who was also the scheme administrator in office in 2018/2019 was John Muraguri and the financial statement were prepared in 2023 when Dr. Agnes Mercy Wahome was in office and therefore signed the annual report and financial statements.

The chairman of the Car Loan and Mortgage Scheme in office in 2018/2019 was Michael Kimani and the financial statement were prepared in 2023 when Ms. Christine Mwaka was in office and therefore signed the annual report and financial statements. Michael Kimani signed the Financial Statements as the Accountant and not as the Chairman since he had ceased being the Chairman.

The Legal Manager and the Corporation Secretary in 2018/2019 was Ms. Edna Adala who had since left the institution while Ms. Faith Kaluai was in office in 2023 when the statement was prepared and therefore signed. The above was disclosed in the notes to the financial statement to inform the readers.

### **Findings and Observations of the Committee**

The Committee observed that the following;

- i. **Management was in breach of Section 68 2 (k) of the Public Finance Management Regulations, 2015 which requires preparing of the annual financial statements for each financial year within three months after end of the financial year, and submit to the Controller of Budget and the Auditor General for audit.**

- ii. **Due to the changes in Management from 2018 to 2023, Management has clarified the positions of the officials signing the financial statements.**
- iii. **Management has complied in the following subsequent years and the current fund administration committee members were signing the annual report and financial statement as required.**
- iv. **The matter is resolved.**

## **FINANCIAL YEAR 2019/2020**

### **1.Inaccuracies in the Financial Statements**

#### **1.1 Cash and cash Equivalents**

As disclosed in Note 9 to the financial statements of financial position reflects two (2) bank account balances of Kshs 111,233,937 in respect of cash and cash equivalents. However, review of certificate of bank balances for audit revealed 4 (four) bank accounts balances totaling to Kshs 176,307,448 resulting to unexplained and unreconciled variance of Kshs 65,073,511.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The National Treasury require that all public institutions seek and receive approval from the National Treasury for operation of bank accounts. The Placement Service sought and was granted approval to open and operate bank accounts with the HFC Bank for its Car Loan and House Mortgage (**letters of approvals attached**). The bank operates two other accounts for tracking the loans advanced to the Placement Service staff. These accounts are called Back up accounts and whenever a staff loan is advanced, the backup is credited with equal amount and the account is adjusted periodically as the loan portfolio is increased or decreased by payments. The Backup account is mirrored by the staff debtors which is reflected in the Statement of Financial Position. In 2019, the debtors were Kshs 64,406,935 as reported in the Statement of Financial Position and reflected on note 11 to the Notes to the Financial Statement while the backup accounts reflected Kshs 65,073,511. This was a temporary timing difference.

Kshs 176,307,448 was the total cash amount deposited with the HFC bank together with the interests earned and received from the unutilized deposit before any loans advanced to staff as at 30 June 2020.

#### **Findings and Observations of the Committee**

**The Committee observed the following**

- i. **The reconciliation provided were for two accounts; Mortgage Kshs. 81,550,074 and Car loan Kshs. 29,683.863.**
- ii. **The variance of Kshs. 65,073,511 had not been reconciled and management had not explained what the backup account was as per the response.**
- iii. **Management had four bank accounts which had amounts belonging to them but they only disclosed two.**
- iv. **Management indicated that they only had two accounts.**
- v. **The Matter remained unresolved.**

## **1.2 Statements of Financial Position**

The statement of financial position reflects revenue reserve of an amount of Kshs 7,153,313 which is at variance with accumulated surplus of an amount of Kshs 25,640,873 reflected in the statement of changes in net asset resulting an amount of unexplained and unreconciled variance of Kshs 18,487,555

In the circumstances, the accuracy and completeness of the accumulated of an amount of kshsm7,153,313 could not be confirmed.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The amount of Kshs 7,153,313 posted in the statement of financial position is the net revenue for the year and not the same as the accumulated revenue reserve of Kshs 25,640,873 as reflected in the statement of changes in net assets. This reporting format was revised and the amounts are reported as accumulated surplus instead of net revenue for the period.

### **Findings and Observations of the Committee**

**The Committee observed the following**

- i. The reporting ought to have been revenue reserve of Kshs. 7,153,318 and accumulated surplus of Kshs. 18,487,560 and staff mortgage and car loan of Kshs. 150,000,000**
- ii. The accumulated surplus amounts should be Kshs. 18,478,555 and not 18,478,560.**
- iii. The fund has combined the accumulated surplus of Kshs. 18,487,560 with the mortgage fund of Kshs. 120,000,000 and car loan of Kshs. 30,000,000 to reflect Kshs. 168,487,560**
- iv. The correction had not been made to have reserves, accumulated surplus and car loan and mortgage fund reported separately as per the template issued.**
- v. The matter is not addressed.**

## **1.3 Statement of Financial Performance**

Review of the statement of financial performance revealed a nil balance in respect of 3% commission on service provider. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 329,644 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of 3% commission on service provider could not be confirmed.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The HF bank was opened and operated as deposit account for the purpose of advancing the car loans and house mortgages to the Placement Service staff. The account does not attract bank charges but earns interest on unutilized funds. The bank withholds 15% on interest earned and the same is remitted to Kenya Revenue Authority as required by law. The Placement Service

treats amount is treated as a prepayment until the same is claimed while making annual returns after the year end. The Placement Service does not incur expenses to operate the HF bank account instead the staff incur an administration expense which is directly recovered from them and remitted with monthly car loan and house mortgage instalments.

#### **Findings and Observations of the Committee**

**The Committee observed the following;**

- i. The amount appeared as debit in the bank statement and ought to have been reflected in the statement of financial performance as an expense.**
- ii. Management had explained that they treated it as a prepayment. However, the amount is not reflected in the statement of financial position.**
- iii. The matter remained unresolved.**

#### **2. Unsupported Disbursed Loans**

Statement of financial position reflects balances of Kshs 64,406,935 in respect of long-term receivable of the staff mortgage and car loans. However, review of the ledger schedules provided for audit review revealed that the management disbursed an amount of Kshs 39,055,435 which included an amount of Kshs 20,532,436 not supported by schedules indicating the name of the beneficiaries. In the circumstances, the accuracy and completeness of the long-term receivables from staff mortgage on car loan balances of Kshs 20,532,436

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

Total loans issued to the staff during the year was Kshs 39,055,435 while cumulatively the loans issued as at 30 June 2020 for the staff mortgage and car loan rose to Kshs 64,406,935. The schedule of staff who benefitted with the loans is herewith attached for your review. Note that the Loans issued to financial year 2018/2019 was Kshs 29,074,976.

#### **Findings and Observations of the Committee**

**The Committee observed the following;**

- i. The Management did not provide the list of beneficiaries amounting to Kshs. 20,532,426.**
- ii. The schedules were not provided not signed or stamped and were incomplete.**

**The Committee recommended that Management provides a complete stamped schedule that includes all names Identification numbers, the staff designation together with the amounts disbursed and the amounts paid back.**

#### **3. Late submission of financial statements**

The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30<sup>th</sup> 2020 were submitted to the Auditor-General on 27 March, 2023, thirty-three (33) months after the statutory dateline to submit of 30 September, 2019. This was contrary to section 47(1) of the public Audit Act,2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act,2012 and any other legislation shall be submitted to the

Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate

In the circumstances, Management was in breach of the law.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2020, which were submitted by 30 September 2020 to Auditor General for audit as required. At that time, there were no guideline from Public Sector Accounting Standards Board on preparation of separate account and the template to use for the Mortgage accounts.

The Placement Service therefore did not prepare separate financial statement for Staff Mortgage and Car loan scheme annual report and financial statements and continued preparing consolidated financial statements. **(Attached screenshot of the Car loan and mortgage funds template released in 2021-2022 from the PSASB website).** The Office of the Auditor General guided that the Placement Service prepares the Financial Statements for the earlier years.

### **Findings and Observations of the Committee**

**The Committee observed the following;**

- i) Management has explained that the reporting template was issued on 30 June, 2022 although financial statements were submitted on 27 March, 2023 9 months later.**
- ii) Management was in breach of Section 68 2(k) of the Public Finance Management Regulations, 2015 which requires preparing of the annual financial statements for each financial year within three months after end of the financial year, and submit to the Controller of Budget and the Auditor General for audit.**
- iii) Management in the subsequent financial years have complied with the reporting template issued.**
- iv) Matter is resolved**

### **2. Non-Compliance with the Public Sector Accounting Standards Board Requirement on Presentation of the Financial Statements.**

The Fund submitted the financial statements for audit during the year the under review. However, inconsistencies on the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements ,chairman's report and staff mortgage and car loan scheme committee report.in addition, the statement of change in net assets presented the balances of the previous year and not the under review.

In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

**Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were in office during the signing of the Financial Statements though they were not responsible for the period's operations. The offices being perpetual, they took over the office and responsibility and therefore signed the statements. This fact was disclosed in the notes to the financial statement as events after balance sheet date.

**Findings and Observations of the Committee**

The Committee observed that the following;

- i. Management was in breach of Section 68 2 (k) of the Public Finance Management Regulations, 2015 which requires preparing of the annual financial statements for each financial year within three months after end of the financial year, and submit to the Controller of Budget and the Auditor General for audit.
- ii. Due to the changes in management from 2018 to 2023, the management has clarified the positions of the officials signing the financial statements.
- iii. Management has complied in the following subsequent years and the current fund administration committee members were signing the annual report and financial statement as required.
- iv. The matter is resolved.

**MIN. NA/AA&GPC-SFAC/2024/013: ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 1.21 p.m. The next meeting will be held on Friday 23<sup>rd</sup> February 2024.



25/02/24

SIGNED.....DATE.....

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 47<sup>TH</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 5<sup>TH</sup> NOVEMBER 2024, IN CONTINENTAL ROOM AT 10.00 AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Erastus Kivasu Nzioka, MP
5. Hon. Charles Ngusya Nguna, MP
6. Hon. Eve Akinyi Obara, MP
7. Hon. Tom Mboya Odege, MP
8. Hon. Catherine Nakhabi Omanyoo, MP
9. Hon. Paul Kibichi Biego, MP

**APOLOGIES**

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Joseph Majimbo Kalasinga, MP
3. Hon. Cecilia Asinyen Ngitit, MP
4. Hon. Joseph Kimutai Cherorot, MP
5. Hon. Kahugu Erick Mwangi, MP
6. Hon. Joshua Odongo Oron, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Ms. Comfort Achieng - Clerk Assistant III
2. Ms. Judith Kanyoko - Legal Counsel II
3. Ms. Bevaline Mosoti - Research Officer III
4. Mr. Derrick Kathurima - Media Relations Officer
5. Mr. Peter Mutethia - Audio Officer III
6. Ms. Felistus Muiya - Public Communication Officer III

**KENYA UNIVERSITIES COLLEGES CENTRAL PLACEMENT SERVICE**

**OFFICE OF THE AUDITOR-GENERAL**

1. Mr. David Osiemo - Liaison Officer.
2. Mr. Wilson Maiya - Director, Audit
- 3.

**MIN. NA/AA&GPC-SFAC/2024/081.**

**PRELIMINARIES**

The Chairperson called the meeting to order at 10.13 am, 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 of the Kenya Universities Colleges Central Placement Service Car loan and Mortgage scheme fund for the financial YearS 2020/21 and 2021/22
4. Any Other Business
5. Adjournment Date of the next meeting.

The Chief Executive Officer who is the Accounting Officer for the fund took the oath of witness and tabled the Submissions of the Accounting Officer including supporting documents on the audited accounts of the fund.

**MIN. NA/AA&GPC-SFAC/2024/082. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON ACCOUNTS OF KENYA UNIVERSITIES COLLEGES CENTRAL PLACEMENT SERVICE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEARS 2020/21 AND 2021/22**

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

The Accounting officer briefed the Committee on the operations and scope of the fund.

**Examination of the Auditor General reports for Water Sector Trust Fund for the financial Year 2018/19 to 2021/22**

The Committee examined the Auditor General's report for the Kenya Universities Colleges Central Placement Service Car loan and Mortgage scheme fund for the financial YearS 2020/21 and 2021/22 as follows:

**Financial Year 2020/2021**

**1.1 Variance between the financial statement and comparative figures**

The Fund's statements of financial position reflect two (2) items that varies with 2019-2020 comparative balances as shown below.

Description	Audited financial statements (2019/2020) Kshs.	Financial statements (2020/2021) Kshs.	Variance Kshs
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<i>Accumulated Surplus</i>	7,153,313	25,640,873	18,487,560
<i>Staff Mortgage &amp; Car Loan reserve</i>	168,487,560	150,000,000	(18,487,560)

In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The financial statements for the year ended 30 June 2020, the Surplus was reported for the year at Kshs 7,153,313 unlike in 2021 where it was reported cumulatively Kshs 25,640,873 and seed capital was reported at Kshs 168,487,560 in 2019/2020. In 2020/2021 the seed capital was retained at Kshs 150,000,000 while the surplus was accumulated with the surplus for the year as reported in the statement of financial performance.

The cumulative effect is the same but for the users ease of understanding, it is best reported cumulatively. The Staff Mortgage and Car Loan Reserve in 2019/2020 reported both the initial deposit and the previous year's surpluses and the same have been separated for surplus to be accumulated separately as it appears in the statement of Changes in Net asset while the seed capital is separate.

#### **Observations by the Committee**

The Committee observed that the matter is resolved.

### **1.2 Variance between financial statement and supported ledgers balances**

The Fund's statements of financial position reflects two (2) items that varies with ledger schedule balances as shown below;

<b>Description</b>	<b>Audited financial statements Kshs.</b>	<b>ledger Schedules Kshs.</b>	<b>Variance Kshs.</b>
Receivables from Non-Exchange Transactions	150,000,000	69,596,249	80,403,751
Receivables from	69,647,830	5,733,020	63,914,810

Exchange Transactions			
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In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

### Submissions by the Accounting Officer

The Accounting Officer submitted the following:

The amount of Kshs 150 million, current receivables from non-exchange transactions relate to the additional funds committed by the Board towards the Staff Car Loan and Mortgage Scheme and which was outstanding as at 30 June 2021 in the books of the Placement Service main account. This money has been settled as per the attached Board Minutes, transfer documents and bank statement from both KUCCPS main account (**KCB bank**) and the Staff Car Loan and Mortgage Scheme (**HFC bank**). On the other hand, Kshs 69,647,830 was the non-current receivables from the exchange transactions (staff debtors) and a **schedule of the debtors attached** for perusal. The two amounts of receivables are not comparable and therefore reported separately.

Kshs 69,647,830 on the other hand was the Non-Current receivables from the exchange transactions (staff debtors and withholding tax prepaid of Kshs 51,582. The amount of Kshs 5,733,020 relate to the interest income for the period ended 30 June 2021 as reported in the statement of financial performance and disclosed in note 6 of the notes to the financial statements. The two amounts are different, properly reported and are not comparable one being in the statement of Financial Performance and the other in the statement of financial position.

### Observations by the Committee

The Committee observed that the matter is resolved.

### 1.3 Cash and Cash Equivalent

As disclosed in Note 9 to the financial statements, the statements of financial position reflect two (2) bank account balances of Kshs. 111,777,645 in respect of cash and cash equivalents.

However, review of the certificate of bank balance provided for audit revealed 4 (four) bank accounts balances totaling to Kshs.182,040,469 resulting to an unexplained and unreconciled variance of Kshs.70,762,824.

### Submissions by the Accounting Officer

The Accounting Officer submitted the following:

The Placement Service operates two bank accounts, **Fixed Deposit Account Number 2211863401 and Fixed Deposit Car Loan account number 2211863402** as approved by the National Treasury (**Approval letters from the Treasury Attached**). Bank balance confirmation letter dated 6<sup>th</sup> July 2021 indicated four bank accounts in the name of KUCCPS totaling to Kshs 182,040,469.

As indicated in the communication from the HFC bank (**Letter dated 21 February 2024 attached**), the additional accounts which appeared in their certificate dated 6<sup>th</sup> July 2021 were not KUCCPS account but banks operation account. This certificate included amounts of Kshs 71,173,563 from back up accounts, which the bank has explained are its own operation accounts for KUCCPS. KUCCPS management are not signatory to these bank accounts.

#### **Observations by the Committee**

The Committee observed the matter is resolved.

#### **1.4 Statement of Cash flows**

Statements of cash flows reflects cash and cash equivalents balance of Kshs.111,777,645. However, review of the statements of changes in net assets revealed receipt of funds amounting to Kshs.150,000,000 in respect of mortgage and car loan funds which were not included in respect of cash flows from financing activities.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

Kshs 150 million was a receivable reflected as such in note 11(a) of the Notes to the Financial Statement and was not part of the cash inflows.

The amount of Kshs 150 million was a book entry to recognize the obligation of the Placement Service to its Staff Mortgage and Car Loan Scheme following the resolution to transfer Kshs 150 million to the scheme. The reserve of the scheme was increased by recognizing debtors from the main Placement Service account while the Main account recognized a liability of the same amount.

This amount of Kshs 150 million was received as from KUCCPS as follows:

- Kshs 70 million vide Payment Voucher (PV) number 8222 dated 23 January 2023
- Kshs 30 million vide payment voucher number 8654 dated 16 August 2023
- Kshs 50 million vide payment voucher number 8757 dated 9 January 2024

#### **Observations by the Committee**

The Committee observed the matter is resolved.

#### **1.5 Statement of financial performance**

Review of the statement of financial performance revealed a nil balance in respect of total expenses. However, the staff mortgage and car loans bank statement reflects total amounts of Kshs.599,269 in respect of tax on credit and other bank charges which are not included as expenses in the statement of financial performance.

In the circumstances, the accuracy and completeness of the nil balance in respect of total expenses could not be confirmed.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The Placement Service opened and operated deposit account with HFC bank for advancing mortgage and car loans to the Placement Service staffs. The account does not attract bank

charges but earns interest on unutilized funds. The bank withholds 15% on interest earned and the same remitted to Kenya Revenue Authority as required by law.

The amount of Kshs 599,269 relate to the withheld interest earned from Car Loan interest for the period ended June 30, 2021. This amount treated as a prepayment until the same claimed while making annual returns after the year-end.

The Placement Service does not incur expenses to operate the HF bank account instead the staffs incur an administration expense which is directly recovered from the staff and remitted with monthly car loan and house mortgage instalments.

#### **Observations by the Committee**

The Committee observed the matter is resolved.

#### **2.0 Unsupported Increase in Receivable from Exchange Transaction**

As disclosed in Note 11(b) to the financial statements, the statement of financial position reflects balance of Kshs.69,647,830 and Kshs.64,406,935 in respect of receivables from exchange transactions and its comparative balances respectively resulting to an increase of Kshs.5,240,895 in respect of loans disbursed. However, the supporting documents including list of loan beneficiaries were not provided for audit review. In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.69,596,248 could not be confirmed.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

The increase of Kshs 5,240,894 in receivables from the staff loans was as a result of loans disbursed of Kshs 11,198,227 and the loan repayments of Kshs 5,957,333. The **schedules of the loans issued and repaid attached** for review.

#### **Observations by the Committee**

The Committee observed the matter is resolved.

#### **3.0 Late Submission of Financial Statement**

The financial statements for the Kenya Universities and Colleges Central Placement Service Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2021 were submitted to the Auditor-General on 27 March, 2023, twenty-one (21) months after the statutory deadline to submit of 30 September, 2021. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. In the circumstances, Management was in breach of the law.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following

The Placement Service prepared a consolidated annual report and financial statements for financial year ended 30 June 2021 including the staff mortgage and car loan balances, which were submitted by 30 September 2021 to Auditor General for audit as required. The same was audited as required. At that time, there were no guidelines from Public Sector Accounting

Standards Board on preparation of separate account and the template to use for the Mortgage accounts. The Placement Service therefore did not prepare separate financial statements for Staff Mortgage and Car loan scheme. **(Attached screenshot of the Car loan and mortgage funds template released in 2021-2022 from the PSASB website).**

The Office of the Auditor General guided that the Placement Service prepares the Financial Statements for the earlier years.

#### **Observations by the Committee**

The Committee observed the matter is resolved.

#### **4.0 Non-Compliance with PSASB on presentation of FS**

The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation of the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements, chairman's report and staff mortgage and car loan schemes committee reports. Further, Notes to the financial statements were not included. In addition, the statement of changes in net assets presented the balances of the previous year and not the year under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

#### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following

After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were responsible for the preparation and signing of the Financial Statements though they were not responsible for the period's operations. Christine Mwaka took over from Michael Kimani as the Chairman while Edna Adala exited and Faith Kaluai took over as Corporation Secretary. The offices being perpetual, the officers took over the offices and responsibility and therefore signed the statements prepared while in office. This fact was disclosed in note 14 of the notes to the financial statement as events after balance sheet date appearing on pages 21 and 22.

#### **Observations by the Committee**

The Committee observed the matter is resolved .

### **Financial Year 2021/2022**

#### **1.1 Variance between financial statement and supported ledgers balances**

items that varies with ledger schedule balances as shown below;

Description	Audited financial statements Kshs.	ledger Schedules Kshs.	Variance Kshs.
Receivables from Non-	150,000,000	95,707,698	54,292,302

Exchange Transactions			
Receivables from Exchange Transactions	96,659,250	5,999,797	90,659,453

In the circumstance, validity, accuracy and completeness of the balances in the statement of financial position in respect of receivables from non-exchange and receivables from exchange transactions could not be confirmed.

### Submissions by the Accounting Officer

The Accounting Officer submitted the following

The amount of Kshs 150 million, current receivables from non-exchange transactions relate to the additional funds committed by the Board (Board minutes attached) towards the Staff Car Loan and Mortgage Scheme and which had not been received as at 30 June 2022 from the Placement Service main account.

The amount transferred at varied dates as per the attached payments vouchers and bank statements from **KCB bank** and **HFC bank**.

1. 20 January 2023      Kshs 70,000,000
2. 16 August 2023      Kshs 30,000,000
3. 9 January 2024      Kshs 50,000,000

Kshs 95,707,698 on the other hand was non-current receivables (**schedule attached**) for the staff car loan and mortgage scheme with the bank. The two amounts are not comparable. The amount of Kshs 96,659,250 was non-current receivables from the exchange transactions for the actual loans advanced to the Placement Service staff Car Loan and Mortgage Scheme as at June 30 2022 with a reconciliation of **Kshs 951,552** being the amount of withholding tax from interest earned treated as prepayment.

The amount of Kshs 5,999,797 on the other hand relates to the interest income for the period as reported in the statement of financial performance and disclosed in note 7 of the notes to the financial statements =The non-current receivables and interest income are not comparable.

### Observations by the Committee

The Committee observed that the matter is resolved.

### 1.2 Cash and Cash Equivalent

As disclosed in note 9 to the financial statements, the statements of financial position reflect balance of two (2) Kshs 90,766,022 in respect of cash and cash equivalents. However, review of the certificate of bank balance provided for audit revealed 4 (four) bank accounts balances totaling to Kshs. 187,140,296 resulting to an unexplained and unreconciled variance of Kshs 90,766,022.

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following

During the period ended 30 June 2022, the Placement Service operates two bank accounts, **Fixed Deposit Account Number 2211863401 and Fixed Deposit Car Loan account number 2211863402.**

The two accounts were approved by the National Treasury vide letter dated 30 May 2017 Bank balance confirmation letter dated 6<sup>th</sup> July 2021 indicated four bank accounts in the name of KUCCPS totaling to Kshs 182,040,469. As indicated in the communication from the HFC bank letter dated 26 February 2024), the additional accounts which appeared in their certificate dated 6<sup>th</sup> July 2021 were not KUCCPS account but banks operation account. This certificate included amounts of Kshs 97,285,013 from back up accounts, which the bank has explained as its own operation accounts for KUCCPS. The KUCCPS management are not signatory to these bank accounts..

### **Observations by the Committee**

The Committee observed that the matter is resolved.

### **1.3 Statement of Financial Performance**

Review of the statement of financial performance revealed a nil balance in respect of expenses. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 122,566 in respect of tax on credit and other bank charges are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of expenses could not be confirmed

### **Submissions by the Accounting Officer**

The Accounting Officer submitted the following;

Review of the statement of financial performance revealed a nil balance in respect of expenses. However, the staff mortgage and car loans bank statements reflect an amount of Kshs. 122,566 in respect of tax on credit and other bank charges are not included as expenses in the statement of financial performance. In the circumstances, the accuracy and completeness of the nil balance in respect of expenses could not be confirmed

### **Observations by the Committee**

The Committee observed that the matter is resolved.

## **2.0 Non-Compliance with PSASB on presentation of FS**

The Fund submitted the financial statements for audit during the year under review. However, inconsistencies on presentation of the preamble information revealed that the names of the chairperson, chief executive/scheme administrator and manager legal and corporation secretary as per the staff mortgage and car loan scheme committee profile presented was different from persons who signed the financial statements, chairman's report and staff mortgage and car loan schemes committee reports. Further, Notes to the financial statements were not included. In addition, the statement of changes in net assets presented the balances of the

previous year and not the year under review. In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

**Submissions by the Accounting Officer**

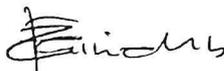
The Accounting Officer submitted the following  
After the year end, there were changes in the management of the Car Loan and Mortgage Scheme with new team taking over and were responsible for the preparation and signing of the Financial Statements though they were not responsible for the period's operations. Christine Mwaka took over from Michael Kimani as the Chairman while Edna Adala exited and Faith Kaluai took over as Corporation Secretary. The offices being perpetual, the officers took over the offices and responsibility and therefore signed the statements prepared while in office. This fact was disclosed in note 14 of the notes to the financial statement as events after balance sheet date appearing on pages 21 and 22.

**Observations by the Committee**

The Committee observed the matter is resolved .

**MIN. NA/AA&GPC-SFAC/2024/083:      ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.11pm . The next meeting will be held on notice.

SIGNED..........DATE.....31/12/24.....

**HON. FATUMA ZAINAB MOHAMMED, MP**

**(CHAIRPERSON)**

**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 39<sup>TH</sup> SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON TUESDAY, 17<sup>TH</sup> SEPTEMBER 2024, 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING AT 9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - **Chairperson**
2. Hon. Dawood Abdul Rahim, HSC, MP - **Vice Chairperson**
3. Hon. Catherine Nakhabi Omanyoo, MP
4. Hon. Charles Ngusya Nguna, MP
5. Hon. Cecilia Asinyen Ngitit, MP
6. Hon. Erastus Kivasu Nzioka, MP
7. Hon. Eve Akinyi Obara, MP
8. Hon. Joseph Kimutai Cherorot, MP
9. Hon. Paul Kibichi Biego, MP
10. Hon. Tom Mboya Odege, MP

**APOLOGIES**

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Dr. Christine Ombaka Oduor, MP
3. Hon. Kahugu Erick Mwangi, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Joshua Odongo Oron, MP

**IN ATTENDANCE**

**THE KENYA UNIVERSITIES AND COLLEGES CENTRAL PLACEMENT SERVICE (KUCCPS).**

1. Ms. Christine Mwaka - Director.
2. Mr. Michael Kimani - Head of Finance.
3. Mr. Eric Asande - KUCCPS.

**OFFICE OF THE AUDITOR GENERAL**

1. Mr. Phillip Ndegwa - Director of Audit.
2. Mr. David Osiemo - Liason Officer
3. Ms. Hilda Odanga - DA.
4. Dr. Cyrus Munyua - The National Treasury/ Liason.

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Eric Nyambati - Clerk Assistant I
2. Mr. Nimrod Mate - Clerk Assistant III
3. Ms. Comfort Achieng - Clerk Assistant III
4. Ms. Judy Kanyoko - Legal Counsel II
5. Ms. Mercy Ondego - Research Officer III

- 6. Mr. Derrick Kathurima - Media Relations Officer III
- 7. Mr. Peter Mutethia - Audio Officer III

**MIN. NA/AA&GPC-SFAC/2024/053 PRELIMINARIES**

The Chairperson called the meeting to order at 10.40am, 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 Report of KUCCPS Car Loan and Mortgage scheme Fund for the Financial Years 2020/2021 to 2021/2022.**
- 4. Any Other Business
- 5. Adjournment/ Date of the next meeting.

**MIN. NA/AA&GPC-SFAC/2024/054 - Preliminaries**

The Director of the agency Ms. Christine Mwaka informed the meeting that the substantive CEO was away and would not be able to attend the meeting. Members took exception with the fact that no official communication had been sent about her absence. The meeting could therefore NOT proceed because the Director was not the AIE holder and would not swear oath on behalf of the CEO. The meeting was adjourned.

**MIN. NA/AA&GPC-SFAC/2024/055 - ADJOURNMENT/DATE OF NEXT MEETING**

There being no other business, the meeting was adjourned at 12.10pm. The next meeting will be held on notice.

SIGNED..........DATE..........

**HON. FATUMA ZAINAB MOHAMMED, MP**  
**(CHAIRPERSON)**  
**SPECIAL FUNDS ACCOUNTS COMMITTEE**

**MINUTES OF THE 49TH SITTING IN THE THIRD SESSION OF SPECIAL FUND ACCOUNTS COMMITTEE HELD ON THURSDAY, 14<sup>TH</sup> NOVEMBER 2024, IN COMMITTEE ROOM ON 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING AT 9.30AM.**

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**PRESENT**

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Charles Ngusya Nguna, MP
4. Hon. Catherine Nakhabi Omanyoo, MP
5. Hon. Eve Akinyi Obara, MP
6. Hon. Joseph Kimutai Cherorot, MP
7. Hon. Cecilia Asinyen Ngiti, MP
8. Hon. Dr. Christine Ombaka Oduor, MP
9. Hon. Joseph Majimbo Kalasinga, MP
10. Hon. Paul Kibichi Biego, MP
11. Hon. Tom Mboya Odege, MP

**APOLOGIES**

1. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
2. Hon. Faith Wairimu Gitau, MP
3. Hon. Kahugu Erick Mwangi, MP
4. Hon. Joshua Odongo Oron, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Erick Nyambati - Senior Clerk Assistant 1
2. Mr. Nimrod Mate - Clerk Assistant III
3. Mr. Robert Ng'etich - Fiscal Analyst II
4. Ms. Judith Kanyoko - Legal Counsel II
5. Ms. Bevaline Mosoti - Research Officer II
6. Mr. Derrick Kathurima - Media Relations Officer.
7. Mr. Peter Mutethia - Audio Officer III.

**NATIONAL LAND COMMISSION**

1. Mr. Benard cherotich - Dfcp
2. Mr. ben Bett - Dhra
3. CPA Daniel Mwalu - Ddfa
4. Mr. Peter Odhiambo - HRM.
5. Mr. Abdullahi Dowski - NLC/PAC
6. Mr. Ken Mutai - Accountant.

7. Mr. Elijah Letangule - DDFCP.

**OFFICE OF THE AUDITOR-GENERAL**

1. Mr. David Osiemo - Liaison Officer.
2. Mr. Wilson Kamula - OAG/ Lands, Housing and Transport.

**MIN. NA/AA&GPC-SFAC/2024/087 PRELIMINARIES**

The Chairperson called the meeting to order at 10.00am, 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 the Audited Financial Statements of The National Land Commission Mortgage and Car Loan Scheme Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

**MIN. NA/AA&GPC-SFAC/2024/088. EXAMINATION OF THE AUDITOR GENERAL REPORTS ON AUDITED FINANCIAL STATEMENTS OF THE NATIONAL LAND COMMISSION MORTGAGE AND CAR LOAN SCHEME FUND FOR THE FINANCIAL YEARS 2020 /2021 AND 2021/2022.**

The CEO Ms. Kabale Tache Ann appeared before the committee accompanied by the following officers;

**1878. Unreconciled Long-Term Receivables from Exchange Transactions.**

Long-term receivables from exchange transactions balance of Kshs. 48,993,645 did not agree with loan statements from the bank of Kshs.41, 875,799 resulting to an unexplained variance of Kshs. 7,117,846.

The current amount receivable in the next twelve (12) months was not separated from the long-term receivables from exchange transactions balance of Kshs.48, 993,645.

Management Response.

The variances is as a result of payroll ledger using straight-line method of amortization and the bank using reducing balance method of amortization on the beneficiary account.

The Commission has since adopted reducing balance method to eliminate any future variances.

Committee Observation.

Variance of Kshs.7, 117, 846 was not supported with reconciliation or entries to correct the anomaly. The bank statement balance is less than the payroll ledger balance disclosed in the 2021/2022 financial statements.

Amortization method adopted is yet to be confirmed in subsequent financial statements presented by the Fund.

The Financial statements did not disclose the 12 months ageing analysis.

The query is therefore not resolved.

The Fund was asked to correct the anomaly within seven days.

**1879. Failure by the Steering Committee to Hold Requisite Meetings.**

Perusal of the Steering Committee meetings minutes revealed that, during the year under review, the Committee held three (3) meetings contrary to Regulation 6(5) of the National Land Commission Housing Scheme Fund Regulations, 2016.

Management Response.

The management agreed that it was in breach of the law. Going forward the management said that mechanisms have been put in place to ensure compliance.

**1881. Long Term Receivables from Exchange Transactions.**

Long-term receivables from exchange transactions balance of Kshs.2, 792,520 did not agree with loan statements from the bank of Kshs.2, 419,673 resulting to an unexplained variance of Kshs. 372,847.

This is contrary to regulation 101 (1) and (4) of the Public Finance Management (National Government) Regulations, 2015.

Management Response.

The variances is as a result of payroll ledger using straight-line method of amortization and the bank using reducing balance method of amortization on the beneficiary account.

The Commission has since adopted reducing balance method to eliminate any future variances.

Committee Observation.

Variance of Kshs.372, 847 was not supported with reconciliation or entries to correct the anomaly. The bank statement balance is less than the payroll ledger balance disclosed in the 2021/2022 financial statements.

Further, amortization method adopted is yet to be confirmed in subsequent financial statements presented by the Fund.

The issue is therefore unresolved.

MIN. NA/AA&GPC-SFAC/2024/089: ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.20 p.m. The next meeting will be held on notice.



3/12/24

SIGNED.....DATE.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE