



2018-2019

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

Prepared in accordance with the Accrual Basis of Accounting Method
under the International Financial Reporting Standards (IFRS)

Table of Contents

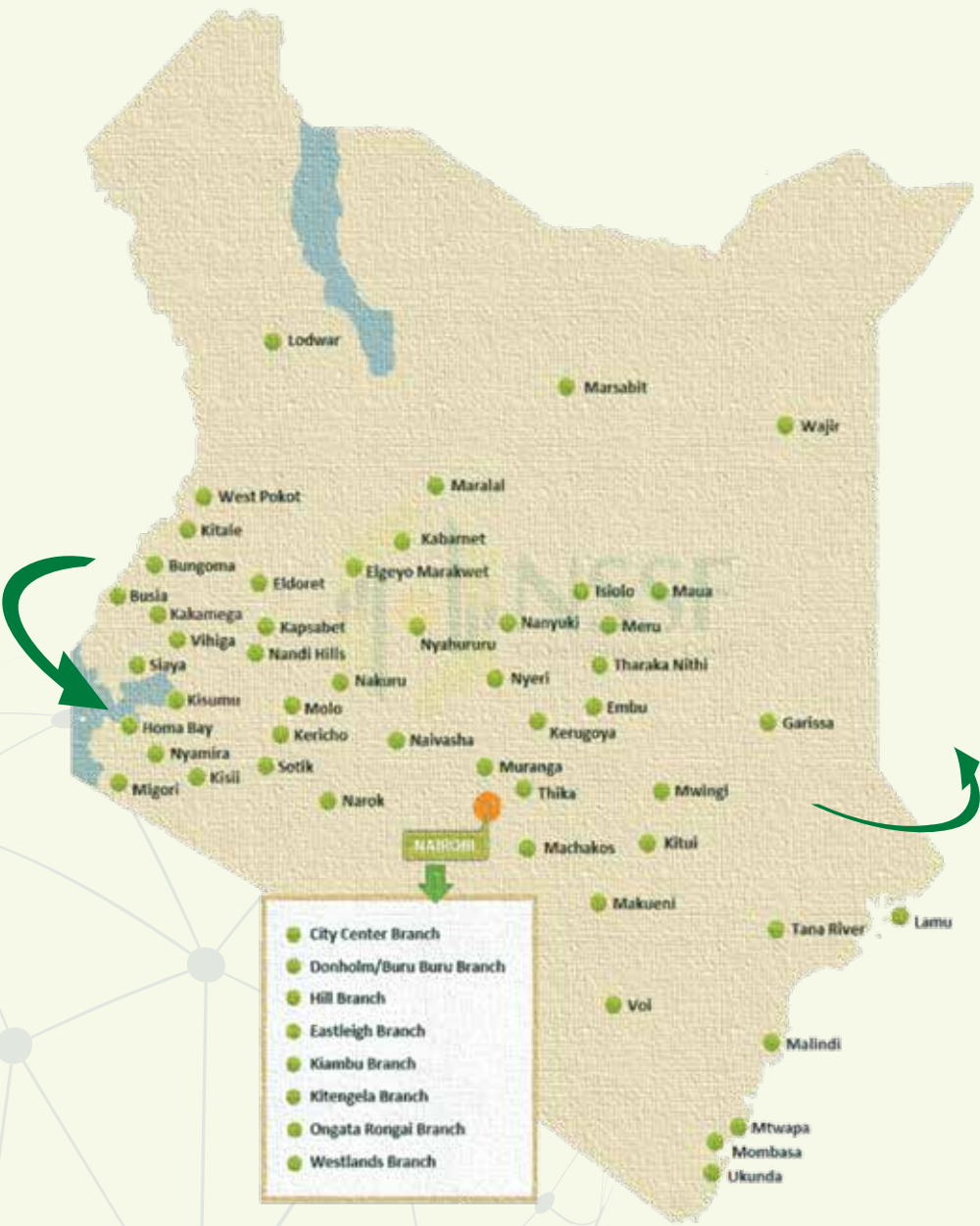
PART I: ANNUAL REPORT	1
KEY CORPORATE INFORMATION	2
BOARD OF TRUSTEES	9
SENIOR MANAGEMENT TEAM	12
CHAIRMAN’S STATEMENT	16
CHIEF EXECUTIVE / MANAGING TRUSTEE’S REPORT	18
CORPORATE GOVERNANCE STATEMENT	21
MANAGEMENT DISCUSSION AND ANALYSIS	28
STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY	32
REPORT OF THE TRUSTEES	36
STATEMENT OF TRUSTEES’ RESPONSIBILITIES	37
REPORT OF THE AUDITOR GENERAL	38
PART II: FINANCIAL STATEMENTS	51
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS	52
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS	53
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019	54
STATEMENT OF CHANGES IN ACCUMULATED MEMBERS’ FUNDS	55
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	56
NOTES TO THE FINANCIAL STATEMENTS	58
PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS FROM PRIOR YEARS	94

Key Corporate Information

One of NSSF’s priorities is to ensure that its services are accessible to all Kenyan workers, regardless of their location.

Background and Branch Network

National Social Security Fund (NSSF) draws its mandate from the NSSF Act No. 45 of 2013, which came into effect on 10th January 2014. The Fund is domiciled in Nairobi, Kenya with a national branch network and Huduma centres as shown on the map and table of branch network below:



BRANCH NETWORK AND CONTACT INFORMATION

WESTERN & NYANZA REGION:

Regional Office Al Imran Plaza, 3rd Floor Oginga Odinga Street P.O. Box 1037 - 40100 Kisumu. Tel: +254732680019	Kakamega Branch 1st Floor, Ambwere Furaha Centre, Sudi Road, P.O Box 833 -50100, Kakamega. Tel: +254737409418	Bungoma Branch Catholic Building, 1st Floor, Mumias Road P.O Box 572 - 50200 Bungoma. Tel: +254737409456	Vihiga Sub Branch 1st Floor, Cherry House P.O Box 1446 - 50300, Maragoli, Tel: 056 02031110	Kisumu Branch Al Imran Plaza, 3rd Floor Oginga Odinga Street P.O. Box 1037 - 40100 Kisumu. Tel: +254737409447	Homabay Branch Luore Plaza, 1st Floor, Bank Road P.O Box 167—40300. Homabay. Tel: +254737409446
Busia Branch Rasto-Park Plaza, Ground Floor Off Kisumu -Busia Road P. O. Box 109-50400, Busia. Tel. +254737409441	Migori Branch Pesoda Plaza, 1st Migori CBD, Along Migori-Isibania Highway P.O Box 513- 40400, Migori. Tel.+254786222323	Kisii Branch 1st Floor, Magsons Plaza, Hospital Road P.O.Box 898-40200 Kisii. Tel. 05820-30206 / +254737409394	Siaya Branch Mwalimu Plaza, 1st Floor P.O. Box 1169-40600 Siaya. Tel: 057 5321747/ +254737409 390	Nyamira Sub-Branch Happyline Centre, 2nd Floor P.O Box 249- 40500 Nyamira. Tel: 0586144000 / & +254780525249	

RIFT VALLEY REGION

Regional Office AFC Building, 1st Floor Kijabe Row, P. O. Box 1510-20100 Nakuru. Tel: +254 051-2216449	Sotik Branch Patnas (Bureti) Sacco Building, opposite Sotik Police Station, P.O Box 947 Sotik. Tel: +254737409413	Kitale Branch Ambwere Plaza, Ground Floor, P.O. Box 49 – 30200 Kitale. Tel: +254 054 30861/ +254737409463	Eldoret Branch Uganda Road Kiptagich House, 6th Floor P.O. Box 1120-30100 Eldoret. Tel: +254 0532062284/ 0532061476	Narok Branch Oltale Mall – 1st Floor -Narok - Mai-Mahiu Rd P.O Box 443-20500, Narok. Tel: +254 050-2222062/ +254737409439	Lodwar Branch Northlands Blding, Next To Doctor's Mini-Plaza. P.O. Box 106 -30500 Lodwar. Tel. +254735 888877
Elegeyo Markwet/ Kapsowar Sub-Branch Marakwet Teachers Housing Sacco P.O Box 266- 30705 Kapsowar Tel. +254737090120 & +254722647216	West Pokot Sub-Branch Paves Vetagro Building, 1st Floor Behind Suntech Supermarket Kitale- Kapenguria Road P.O Box 494—30600 Kapenguria Tel.+254732206035	Kabarnet Branch Mart Properties Plaza Kabarnet / Nakuru Junction. P.O. Box 14-30400 Kabarnet. Tel: +254 05322162	Molo Sub Branch Maziwa House, 1st Floor, Next To Post Bank Opp. Riva Petrol Station Molo Town. P.O Box 214-20106 Molo. Tel. +254771889439	Kapsabet Branch AFC Building 1st Floor P.O Box 1122- 30300 Kapsabet. Tel: +254 053-5252113 / +254735888887	Nakuru Branch Polo Centre 1st Floor P.O Box 1510 - 20100, Nakuru. Tel: +254 051-2210952/3
Naivasha Branch Wagi House, Kenyatta Avenue P. O. Box 361 - 20117, Naivasha. Tel: +254737409437	Kericho Branch Sinendet Towers, 2nd Floor Ksm-Nbi Highway P. O. Box 586 - 00200 Kericho. Tel.+254737 409 470	Nandi Hills Branch Post Office Building – Opp. Nandi Police Stn. P.O Box 207, Nandi-Hills Tel.+254737 408 423			

NAIROBI REGION

Regional Office Bruce House, 5th Floor P.O Box 50397- 00200 Nairobi Mobile +254737409453	Industrial Area Branch Simco Plaza, 3rd Floor P.O Box 30451—00100 Nairobi Tel. +254737409457	Ongata Rongai Branch Maasai Mall 2 Floor P.O Box 665-00511 Ongata Rongai Tel. +25445-3123112 / +254731-032 088	Eastleigh Branch Eastleigh Mall, 1st Floor, General Wariunge Street P.O Box 7800-00610, Nairobi. Tel: +254739102003	Kiambu Branch Mapa House, 2nd Flr, Biashara Street P O Box 713 – 00900, Kiambu Tel.+254737 633 914	Machakos Branch Nijrang Building, 1st Floor Bolumalu Rd. P.O Box 525- 90100, Machakos Tel. +254737409412
City Centre Branch Bruce House, 5th Floor, Standard Street P.O Box 50397—00200 Nairobi Tel. +254 020 2228068 /+254020 2228276	Westlands Branch Woodvale Centre, Woodvale Grove P.O Box 66575-00800 Nairobi Tel. +254737409416	Hill Branch Social Security House, Block C, P. O. Box 45969 - 00100, Nairobi Tel. 0202713844/46/48/51 /0737090169	Donholm Branch The Point-Buruburu Along Rabai Road Opp. Kenol Petrol Station P. O Box 1387-00515, Buruburu Tel: +254773780210	Kitengela Branch Ground And First Floor, Africa House, P. O. Box 529 – 00242, Kitengela Tel. +254739102009	

Branch Network and Contact Information

Central & Eastern Region

Regional Office Sohan Plaza - 2nd Floor Kimathi Way P. O. Box 308 – 10100, Nyeri Tel: 061 – 2031140	Nyeri Branch Sohan Plaza - 2nd Floor P. O. Box 308—10100, Nyeri. Tel: (061) 2032103/ +254737409455	Thika Branch Thika House Ground Floor On Kwame Nkurumah Street P.O Box 844-01000, Thika Tel. - 067-2222279 / +254737409391	Mwingi Branch P.O Box: 432-90400 LDP Building Along Mwingi-Garissa Highway, Ground Floor. Tel. 044-822339/822340 /+254737409465	Kitui Branch: Muli Mall, Ground Floor, Mukuti Street. P. O. Box 641-90200, Kitui. Tel 044-4422239, +254737 409 417	Kerugoya Branch Bingwa Saaco Building, 1st Floor P. O. Box 600-10300, Kerugoya Tel. +254737 409471
Nyahururu Branch Barclays Bank House, Sharp Road P.O Box 148- 20300, Nyahururu Tel- 065-2032943 / 037409459	Muranga Branch Pala Plaza, Ground Floor Kenyatta Avenue P.O Box 168 -10200, Muranga Tel: 060-2030313 / +254737409473	Marsabit Branch Ngamia Mall, Opposite Shell Petrol Station, P.O Box 88-60500 Marsabit Tel. 0702 463901	Tharaka Nithi Sub Branch New Mutegi Murango Building, Chuka Town, P.O Box 320 - 60400, Chuka, Kenya Tel: +254731883332	Isiolo Sub Branch Saada Arcade Ground Floor Behind Shamz Hotel P.O. Box 730-60300, Isiolo Tel: +254702463888	Meru Branch Ncheege Plaza 1st Flr. Kirikuri Street. P.O. Box 1228-60200, Meru Tel: No 064 3132912 Mobile: 0737 409 474
Embu Branch Eastern Emporium Bldg. Kenyatta Highway P.O Box 316- 60100, Embu Tel; +254734317315 /0737409460	Maua Sub- Branch Nyambene Synod Plaza Ground Floor Meru Maua Road P.O Box 3-60600, Maua Tel: +254731883362	Maralal Branch Saidia Building, Opp County Treasury Offices. P. O. Box 258-20600, Maralal. Tel. 065-5062047 / 0737409433	Nanyuki Branch Silver Plaza, Ground Floor Along Kenyatta Highway P.O Box 226-10400, Nanyuki Tel: +254737409444		

Coast & North Eastern Region

Regional Office Social Security House, Nkrumah Road, P. O. Box 90490-80100, Mombasa Tel.: 041- 2223426/19	Lamu Sub-Branch Majid Swaleh Hemed Building P.O Box 389- 80500, Lamu Tel: 254737409410	Voi Branch Haji Plaza, Ground Floor, Biashara Street. P.O. Box 127-80300, Voi Telephone: 043-2030129 Mobile: +254737409398	Wajir Branch Juba Building, Orahey- Works Road, Ground Floor P.O Box 326 -70200, Wajir Tel.: +254737409411	Malindi Branch 1st Floor Al- Noor Plaza- Jomo Kenyatta Road P. O. Box 290- 80200, Malindi. Telephone : (254) 42 2130003 Fax : (254) 42 2120819 Tel.: +254737409449	
Mombasa Branch Ground Floor, social Security House, Nkurumah Road, P.O. Box 90490-80100, Mombasa Tel: 041- 2223426/19	Tana River Sub- Branch Said Omar House P. O. Box 204 -70101, Hola Tel:+254780002200 +2547738110858	Ukunda Branch Tiosgima Plaza, Beach Road, P.O. Box 1076-80400 Ukunda. Tel: +254737 409434	Garissa Branch 1st Floor, Lilac Centre, Kismayu Road, P.O Box 378-70100, Garissa, Tel: +254737409468	Mtwapa Branch; Mtwapa Mall, 1st Floor Mombasa-Malindi Road P.O Box 733 – 80109 Mtwapa Tel. +254786222322	



**Our services are
available at all
huduma centres
countrywide.**

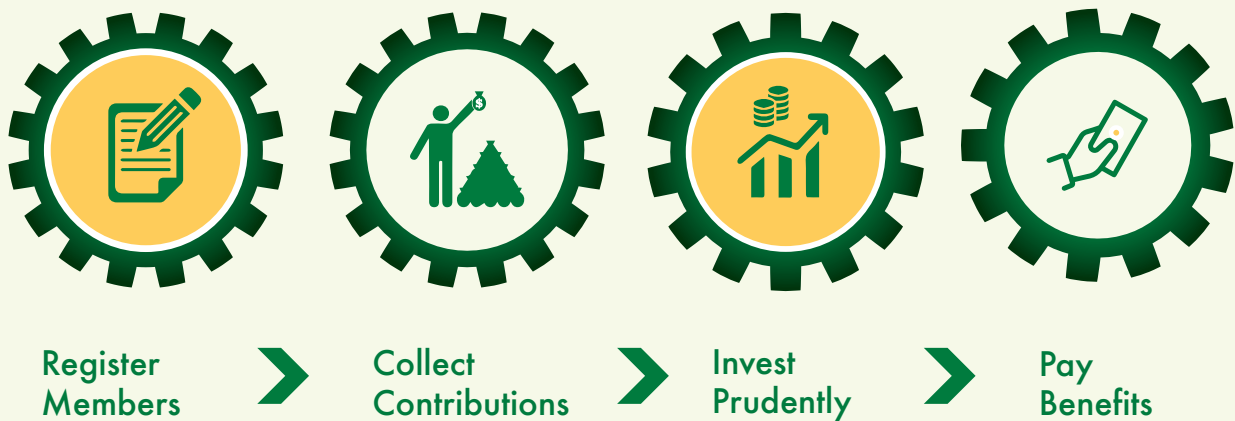
KEY INFORMATION

Background information

National Social Security Fund (NSSF) draws its mandate from the NSSF Act of 2013, which came into effect on 10th January 2014. The Fund is governed by a Board of Trustees constituted as per the NSSF Act of 2013 (section 6), with representation from the most representative workers' organization, most representative employers' organization and the Government of Kenya (through the Ministry of East Africa Community, Labour & Social protection, and the National Treasury). The composition of the Board of Trustees is meant to accommodate the views and aspirations of the three social partners in policy formulation and strategic direction of the Fund.

Principal Activities

The principal activity of the Fund is to register members, receive their contributions, invest the funds prudently, process and ultimately pay out benefits to eligible members or their dependants.



During the year 2017/2018 the members of the Board of Trustees were as follows:-

	Name of Trustee	Date Appointed	Position
1	Gen. (Rtd) Dr. Julius W. Karangi, EGH CBS DCO LOM 'ndc' 'psc' (K)	06.06.2018	Chairman
2	Hon. Joseph L. Lekuton	06.06.2018	Member
3	Prof. Marion Mutugi EBS	06.06.2018	Member
4	Dr. Geoffrey Mwau EBS	01.01.2019	Member
5	Dr. Francis Atwoli EBS,MBS,(NOM,DZA)	17.09.2018	Member
6	Mrs. Jacqueline Mugo OGW,MBS	17.09.2018	Member
7	Dr. Damaris Muhika	03.02.2018	Member
8	Mr. Mark J. Obuya	20.02.2017	Member
9	Eng. Peter K. Tum OGW	01.03.2019	Member
10	Dr. Anthony Omerikwa MBS	16.04.2015	Ex-officio Member

Secretary to The Board of Trustees

Dr. Anthony Omerikwa
P.O Box 30599 - 00100 Nairobi

Registered Office/Corporate Headquarters

National Social Security Fund,
Social Security House, Bishops Road
Nairobi

Corporate Contacts

P.O Box 30599 - 00100 Nairobi
Tel: +2542729911
Email: info@nssfkenya.co.ke
Website: www.nssf.or.ke

Main Lawyers

The Attorney General State Law Office,
P.O. Box 40112 – 00200
Nairobi.

Wetangula, Adan & Co Advocates,
12th Floor Bruce House,
P.O Box 10741 – 00100
Nairobi

Cootow & Associates Advocates,
NSSF House, 11th Floor, Pent House,
Nkrumah Road,
P. O. Box 16858 – 80100, Mombasa

Tripple OK Law Advocates,
ACK Garden House, 5th Floor Block C,
1st Ngong Avenue,
P.O. Box: 43170-00100
Nairobi

Independent Auditors

Auditor General,
Office of Auditor General
Anniversary Towers, University way
P.O. Box 30084-00100 Nairobi
Tel: 254-20-342330/2227383
Oag@Oagkenya.go.ke

Main Bankers

KCB Bank Kenya Limited,
Moi Avenue,
P.O. Box 48400, 00100
Nairobi

National Bank of Kenya.

Hill Branch, NHIF Building,
P. O. Box 45151 – 00100, Nairobi

Cooperative Bank of Kenya limited

Hill Branch, NHIF Building,
P. O. Box 45151 – 00100,
Nairobi

Fund Managers

African Alliance Kenya Investment Bank Limited – Asset Management
P.O Box 27639 – 00506
Nairobi

GenAfrica Investment Management Ltd,
14 Riverside Business Park, 1st Floor,
P.O. Box 79127-00200,
Nairobi

STANLIB Kenya Limited,
CFC House, Nyerere Road,
P.O. Box 30550-00100,
Nairobi

Old Mutual Asset Management (K) Ltd,
Old Mutual Building,
Mara/Hospital Road,
P.O. Box 11589-00400,
Nairobi

Britam Asset Management (K) Ltd,
Britam Centre,
Mara/Ragati Road Junction, Upperhill
P.O. Box 30375-00100,
Nairobi

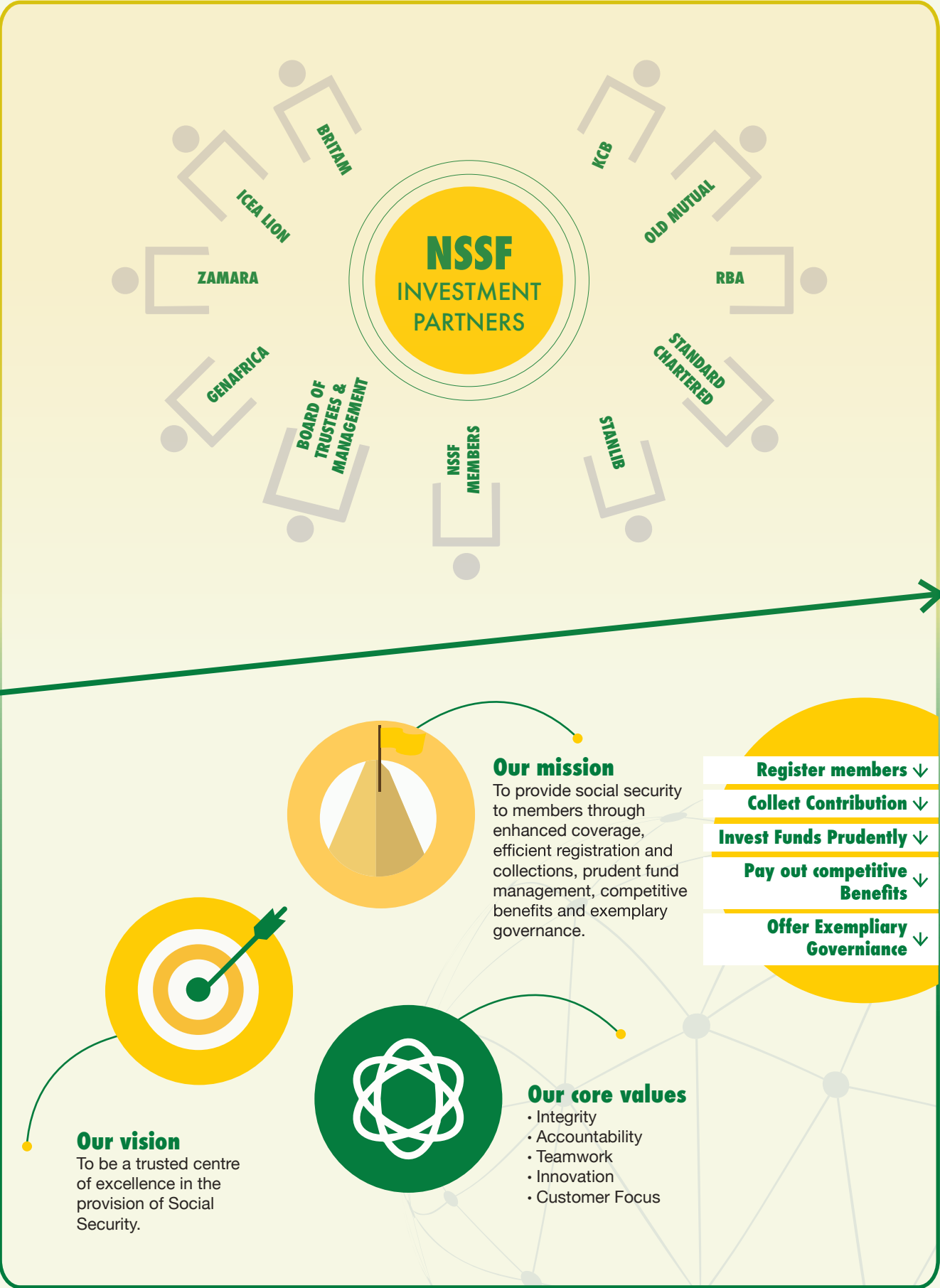
Fund Custodians

Kenya Commercial Bank Custody Services,
P.O. Box 30664-00100,
Nairobi.

Standard Chartered Securities Services Kenya, 48 Westlands Road,
P.O. Box 40984-00100,
Nairobi.

Cooperative Bank Custody
P.O. Box 48231 – 00100
Nairobi.

Investment Partners as Per the RBA Act





NSSF PAYBILL NUMBER

333300

THE BOARD OF TRUSTEES

General (Rtd) Dr. Julius W. Karangi, EGH, CBS, DCO, LOM - Chairman

Appointed Chairman on 6th June 2018. General (Dr) Karangi holds a Masters of Science (MSc) Degree in Security and Risk Management from the University of Leicester (UK), a Honorary Doctorate on Humane Letters (Honoris Causa) from Kenyatta University, Kenya and is also a recipient of the United States of America Award of Degree of Commander, The Legion of Merit. He also holds National Honours and Awards of Elder of the Order of the Golden Heart (EGH), Chief of the Order of the Burning Spear (CBS) and Distinguished Conduct Order (DCO). He is the former Chairman of Kenya Airports Authority.



Dr. Geoffrey N. Mwau, EBS - Trustee

He is the alternate to the Principal Secretary, National Treasury. Before joining the National Treasury, he served various organizations including the World Bank as a Senior Advisor to the Executive Director representing Kenya and the Executive Board, the UN as a Senior Regional Advisor on Economic Policy Analysis, the IMF as an economist for Rwanda, Malawi, Botswana, and Uganda. Over the years, Dr. Mwau has undertaken consulting assignments and research in key areas of development. He holds a PhD in economics and M.A in economics from McGill University in Canada, M.A in economics and Bachelor of Arts (Economics, 1st Class Honours) from the University of Nairobi. Further, he has other trainings in Research methods, project management, and French.



Eng. Peter K. Tum, OGW - Trustee

Appointed Principal Secretary, State Department for Labour in the Ministry of Labour and Social Protection on 1st March 2019. Prior to this appointment, Eng. Tum served as the Principal Secretary, Ministry of Health. He holds a Master's Degree in Energy Management from the University of Nairobi, a Bachelor of Industrial Technology from Egerton University and a Post-Graduate Diploma in Medical Electronics from the University of London. Eng. Tum comes with a wealth of experience in public service having previously served as the Chief Executive Officer of Kenya Medical Training College (KMTC).



Hon. Joseph Lemasolai Lekuton - Trustee

Appointed Trustee on 6th June 2018, he holds a Masters of International Education policy (Harvard University) and Master of Administration (St. Lawrence University). Additionally, he holds a Bachelor of Economics in Economic Development and a Bachelor of Government in International Relations. A celebrated award winning author and public speaker, has held various public assignments including being a member of parliament representing Laisamis constituency.





Dr. Kamau Thugge - Trustee

Dr. Kamau Thugge is the Principal Secretary at the National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before then, he worked with the International Monetary Fund (IMF) as a Senior Economist and Deputy Division Chief.

Dr. Thugge is widely published and holds a Bachelor of Arts (Economics) degree from Colorado College, USA; a Master's degree in Economics and a Doctor of Philosophy (PhD) degree in Economics both from John Hopkins University.



Dr. Francis Atwoli, EBS, MBS, (NOM DZA) - Trustee

Born in 1949 and appointed Trustee on 16/09/2015, he has extensive training in labour movement history. He holds a Honorary Doctor of Letters (Labour Relations) (Honoris Causa) awarded by Masinde Muliro University of Science and Technology. He was trained in Turin college of International Labour Organisation in advanced industrial relations practices / labour economics / collective bargaining techniques / international labour laws / trade union organisation. Has vast experience in labour relations gained in Central Organization of Trade Unions where he is currently serving as the Secretary General and from other labour related institutions including The International Labour Organization, KPAWU and The Pan African Labour organisation of Africa trade union unity.



Mrs. Jacqueline Mugo, EBS, MBS, OGW - Trustee

Born in 1957 appointed Trustee on 17 September 2018. Jacqueline Mugo, EBS, MBS, OGW is the Executive Director and Chief Executive Officer of the Federation of Kenya Employers. Jacqueline plays a strong leadership role in the continent and represents employers and the private sector at the regional and international level including the Governing Body of the International Labour Organization (ILO) and the International Organization of Employers (IOE), both based in Geneva, Switzerland the ACP-EU Follow-up Committee in Brussels and several public sector boards in Kenya. Jacqueline is an advocate of the High Court of Kenya. She holds a Bachelor of Laws (LLB, Hons) degree, from the University of Nairobi and a Higher Diploma in Human Resource Management from the Institute of Personnel Management and is a graduate of Kenya School of Law. She has over 30 years' experience acquired from serving in the public and private sector covering legal, human resource management, governance, advocacy and leadership



Mr. Mark J. Obuya, Trustee

Born in 1957 and appointed Trustee on 20th February 2017. He holds a Master of Laws degree in Law, Science and Technology and a Bachelor of Laws degree both from the University of Nairobi. A Diploma in Law from the Kenya School of Law. He is an Advocate of the High Court of Kenya. He is also an Associate of the Chartered Insurance Institute (ACII) London, a Certified Environmental Impact/Risk Auditor and a Patent Agent (KIPI). He is a seasoned and highly experienced professional with a solid knowledge of the law, insurance, finance, investments and social security.

He is currently the National President of the Federation of Kenya Employers and the Chief Executive Officer of Corporate Insurance Company Limited.

Dr. Damaris Muhika, Trustee

Appointed trustee on 2nd February 2015. Was born in 1977. She holds a Doctor of Philosophy degree in finance and business administration from Jomo Kenyatta University of Agriculture & Technology; an MBA (Africa Nazarene university); Bachelor of commerce (African Nazarene university). She is experienced in labour matters, currently serving as programs coordinator at the Central Organization of Trade Unions. She is also involved in Lecturing and Accounting.



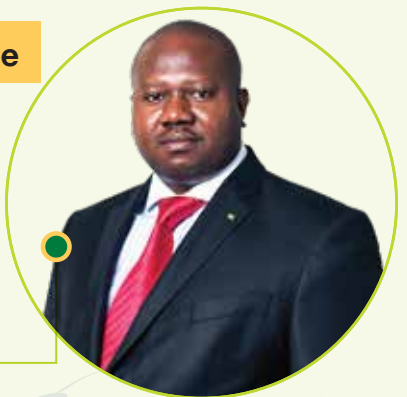
Prof. Marion Mutugi, EBS - Trustee

Born in 1959, Prof. Mutugi was appointed on 06/06/2018. She is a medical geneticist with a PhD from the University of Edinburgh Scotland, an MSc from the University of Nairobi and an Executive MBA from JKUAT. A scholar and researcher, Prof. Mutugi has held various management and governance responsibilities in national and international organizations. She is a member of professional associations in her discipline as well as the Institute of Directors of Kenya and the Kenya Institute of Management.



Dr. Anthony Omerikwa, MBS, Ag. CEO / Managing Trustee

Born in 1977 and appointed Chief Executive Officer/ Managing Trustee in acting capacity on 16/04/2015. He holds a PhD; Ed.S; MSc (HRD); Bachelor of Arts (Economics); and Diploma in Management Information Systems. Experienced in the Public Sector having worked in various Government Agencies. Dr. Omerikwa is a member of the Institute of Directors and the Kenya Institute of Management.



MANAGEMENT TEAM



Dr. Anthony Omerikwa,
MBS, Ag. CEO / Managing Trustee

Born in 1977 and appointed Chief Executive Officer/ Managing Trustee in acting capacity on 16/04/2015. He holds a PhD; Ed.S; MSc (HRD); Bachelor of Arts (Economics); and Diploma in Management Information Systems. Experienced in the Public Sector having worked in various Government Agencies. Dr. Omerikwa is a member of the Institute of Directors and the Kenya Institute of Management.



Mr Austin Ouko
Ag. General Manager Corporate Affairs

Born in 1981. He holds a Master of the Science of Law (JSM) degree from Stanford Law School, California, USA. He also holds a Master of Laws (LLM) and a Bachelor of Laws (LL.B) degrees both from the University of Nairobi; a Postgraduate Diploma in Law from Kenya School of Law; A Diploma in Domestic Arbitration awarded by the Chartered Institute of Arbitrators UK; an Advanced Diploma in Business Administration; and a Diploma in Management Information Systems. He is a Certified Secretary. A Fellow of the Chartered Institute of Arbitrators. He is charged with carrying out the Trustees' instructions; Help ensure that the Fund complies with the law and its own constitutional rules; Prepare and maintain the associated Fund's documents; and formulation of the Fund's Corporate strategy and operating plans. He achieves this by supervising the following departments: Legal, Ethics & Integrity, Public Relations and Communication, Marketing and Brand.



Mr. Moses Cheseto
Ag. General Manager Finance & Investments

Born in 1974. He holds an MA in Planning; a BA in Land Economics. He is a member of the Institute of Certified Financial Analyst (CFA), Registered real estate valuer and full member of Institute of Surveyors of Kenya Lead expert in Environmental Impact and Assessment Audit (EIA). He is responsible for the identification & implementation of Finance & Investment strategic objectives/ policies; Management Finance & Investment portfolio; Formulation of strategies to maximize return on members' funds; and development and review Financial/ Investment policies. He achieves this by supervising the following departments: Finance, Capital & Money Markets, Property Development, and Property management.

Mr. Joseph Kimote
General Manager Strategy, Research& Dev.

Born in 1971, he holds an MBA in Strategic Management, Project Management, and a BA (Economics). He is responsible for strategy formulation and implementation; research; Monitoring and Evaluation; Performance contracting; business process improvement; organizational development; quality management system and business continuity development. He achieves this by supervising the following departments: Strategy and Change, and Research and Development.



Mr. Mohamoud Sebit
Ag. Manager, Audit and Risk

Qualified Internal Auditor and a member of the Institute of Internal Auditors, the Information Systems Audit and Control Association, the Association of the Certified Fraud Examiners and the Ethics Institute of East Africa
He is also an Accredited Internal Audit Quality Assessor and a qualified Risk Management and Control Professional. He reports to the Board of Trustees on risk and audit matters of the Fund.



Mr. George Mwandembo
Ag. Manager, Procurement

Born in January, 1966. Holds a BA (Economics & Government), CIPS, CIPP, MCIPS, MKISM,MIAPM. Has 29 Years experience in management including 13 years in Procurement & Supply Chain Management. He reports directly to the CEO and is charged with implementing the Public Procurement and Asset Disposal Act 2015, and providing leadership in procurement and disposal of goods and services for the Fund.

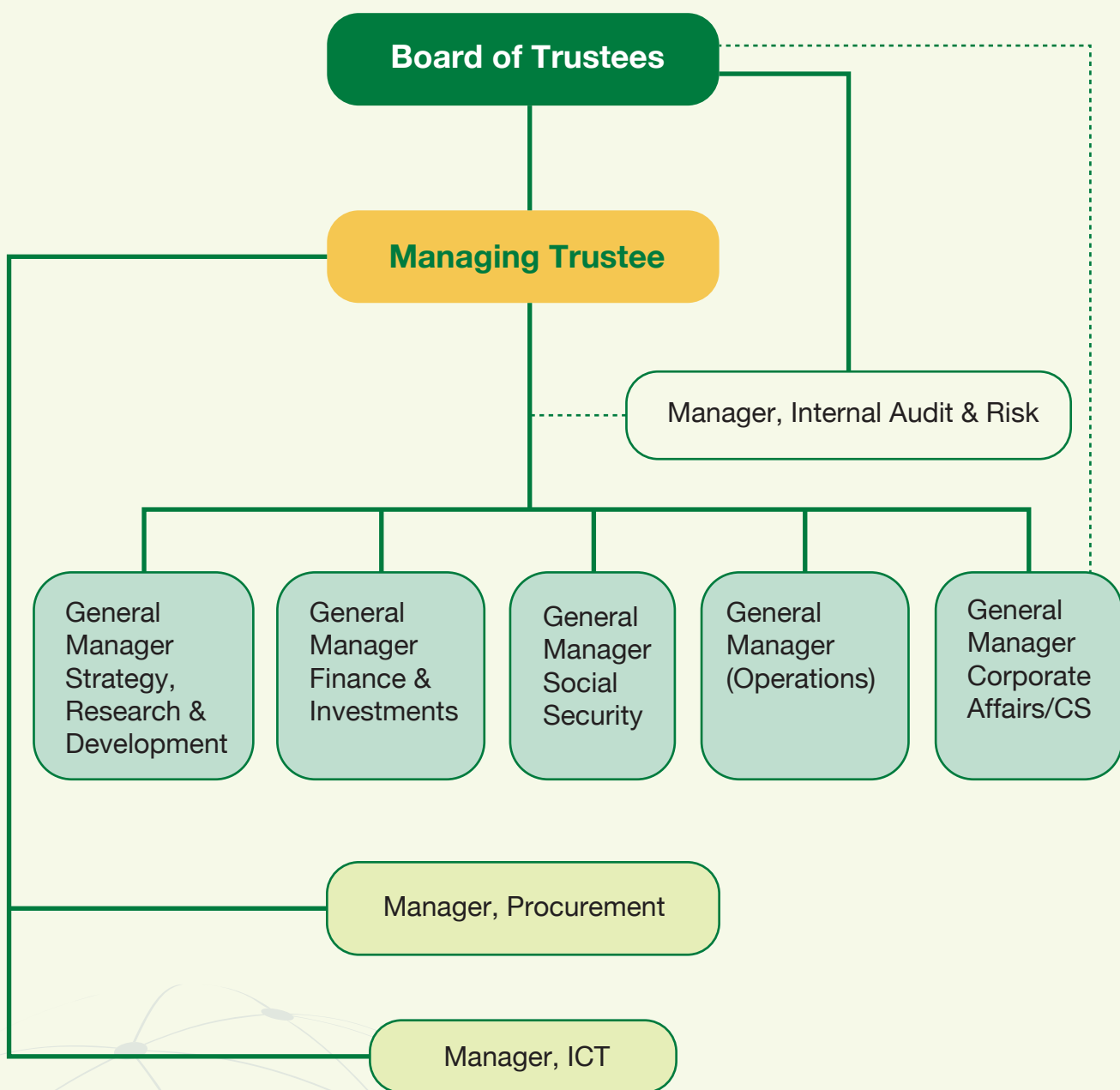


Mr. Stephen Obare
Manager Information and Communication Technology

Born in 1980. Holds an M.Sc., B.Sc. in Computer Science (UoN); Senior Leadership Development Programme (KSG); New Managers Leadership Program (Strathmore University); Corporate Governance (Center for Corporate Governance). Certified in a number of technologies including SAP Basis, CBAP, Oracle (OCP, OCA), Cisco (CCNP, CCNA), Microsoft (MCP, MCSA, MCSE), ITIL, PRINCE2, CEH, Fortinet, CISA, etc.

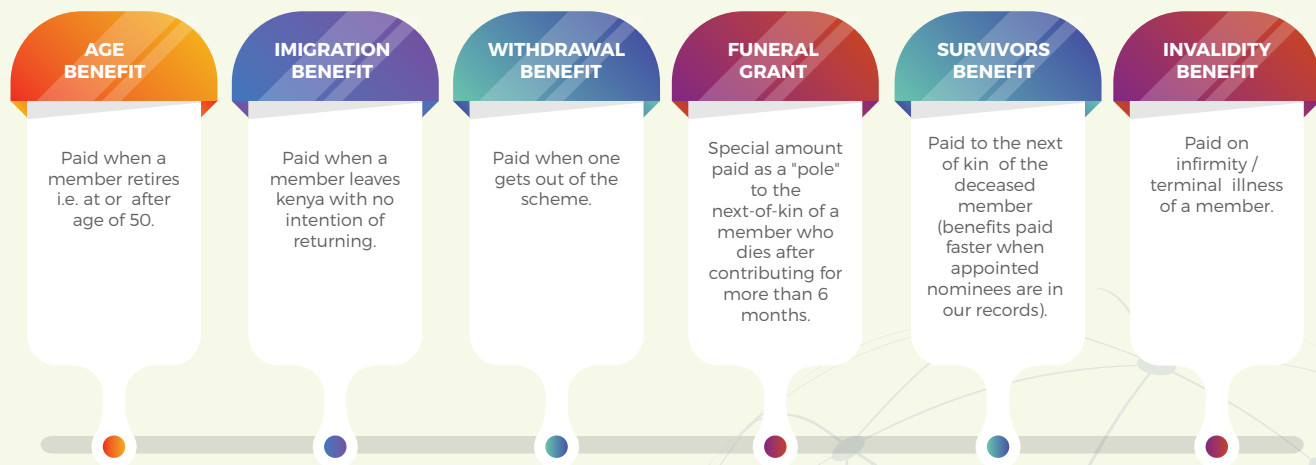
Reporting to the CEO, he is responsible for overseeing the overall strategic direction, management and operation of the Fund's ICT systems consistent with the strategic and operational objectives of the Fund.







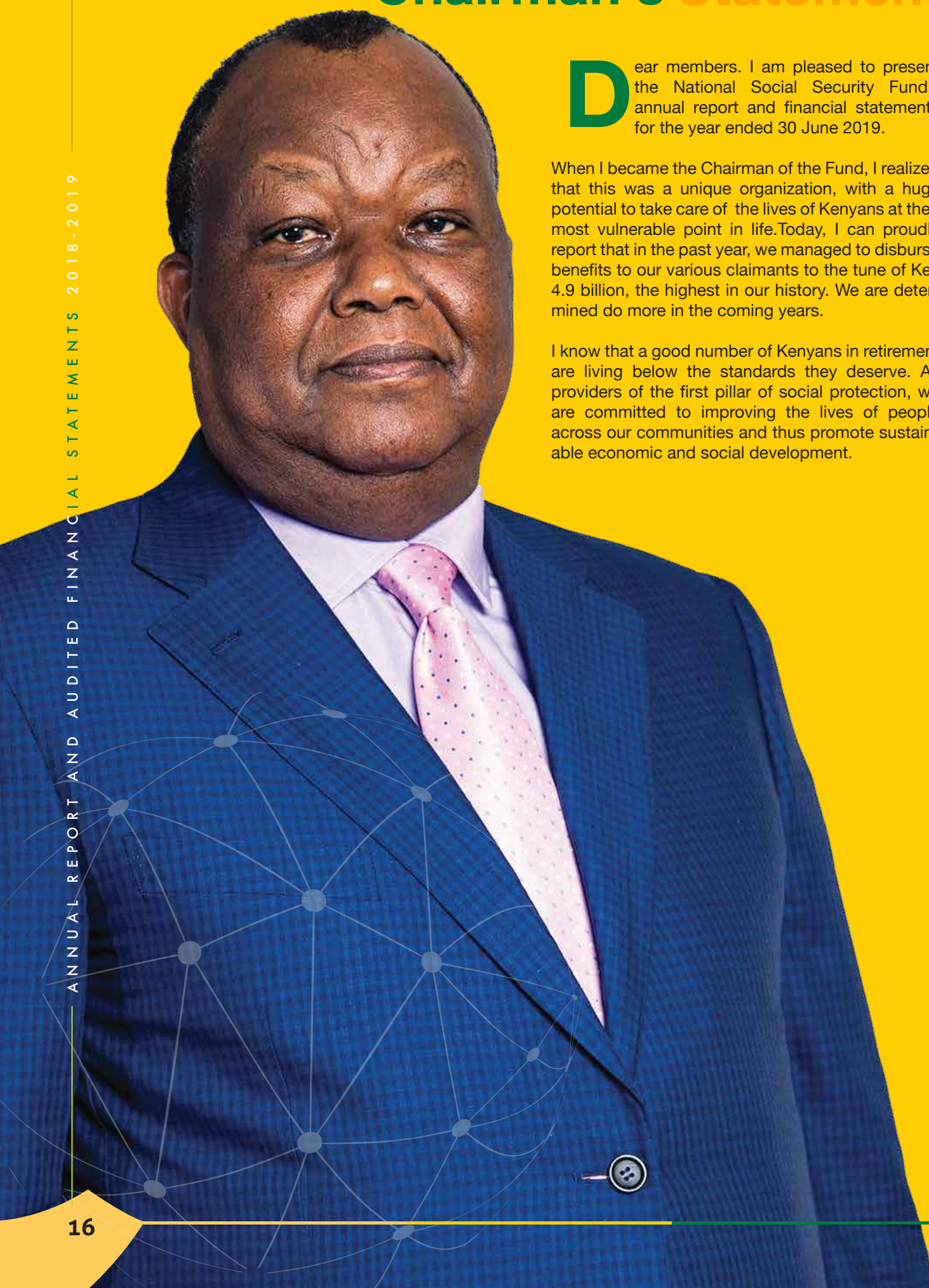
NSSF Products



Comparative Analysis of Contribution to National Pension Schemes

Country	% Contribution by Employer	% Contribution by Employee	Total (Employee and Employer (%))
United Kingdom	13.8	12.0	25.8
India	12.0	12.0	24.0
Uganda	10.0	5.0	15.0
Tanzania	10.0	10.0	20.0
Brazil	26.8	8.0	34.8
Ethiopia	9.0	7.0	16.0
Ghana	13.0	5.5	18.5
Kenya	6.0	6.0	12.0

Chairman's Statement



Dear members. I am pleased to present the National Social Security Fund's annual report and financial statements for the year ended 30 June 2019.

When I became the Chairman of the Fund, I realized that this was a unique organization, with a huge potential to take care of the lives of Kenyans at their most vulnerable point in life. Today, I can proudly report that in the past year, we managed to disburse benefits to our various claimants to the tune of Kes 4.9 billion, the highest in our history. We are determined to do more in the coming years.

I know that a good number of Kenyans in retirement are living below the standards they deserve. As providers of the first pillar of social protection, we are committed to improving the lives of people across our communities and thus promote sustainable economic and social development.

Key activities during the year

To improve strategic partnerships, the Fund collaborated with Safaricom PLC to ensure that our customers in informal sector can use technological platforms to access Fund services at their convenience.

Further, we commissioned a restructuring exercise to redesign high-level organisational structure, functional structures, and conducting job evaluation. This was aimed at repositioning the Fund's labour force to match the contemporary business environment. Additionally, the Fund is committed to widen its Management System from ISO 9001:2015 certification to Integrated Management Systems comprising of Quality Management, Knowledge Management, and Information Security – all rolled into one. Besides improving customer satisfaction, and optimization of knowledge, this will go a long way to increase reliability and security of our systems and information.

Successes Consolidated

Despite the tough business environment in the past year, we managed to collect contributions to the tune of Kes 15.1 billion, and generated net investment income of Kes 8.9 billion, leading to Kes 13.38 billion net increase in fund assets, thus growing the Fund value to Kes 235.1 billion.

Completion of a multimillion Milimani Apartments project is another important medal of honour that we must thank ourselves for. These apartments were built to very high standards, and are now ready for sale to customers who wish to own upmarket property closer to the Nairobi Central Business District.

We are implementing the Strategic Plan 2019-2022. This will chart the Fund's strategic direction up to the period ending 30th June 2022. It is expected to widen our business prospects as we venture into new business segments.

Challenges

2018/2019 was a challenging year not only for NSSF but also for the economy in general. Various factors adversely affected our operating environment, and in certain instances overshadowed some of the great milestones we had covered. Private sector activity slowed down due to insufficient rainfall that directly affected hydroelectric generation and agricultural output – especially horticulture and tea. The sugar industry and the hotel industry were also affected negatively. This limited the expansion of employment opportunities and indeed reduced disposable incomes of our customers, consequently putting a strain on contributions, especially from agricultural and associated industries.

Outlook

While we are not able to control the external environment, the Fund will continuously strive to build on its legacy and wealth of experience to deliver quality service and offer competitive returns to its members. It is against this backdrop that I wish to assure you of the Board's commitment to implement and achieve the ideals of our Corporate Strategic Plan 2019-2022, that will see the Fund transform fully into a top-notch pension fund, providing adequate income replacement to our members, by making prudent investments and prompt payment of benefits.

Gen. (Rtd) Dr. Julius W. Karangi,
EGH CBS DCO LOM 'ndc' 'psc' (K)
Chairman, Board of Trustees

Report of the Chief Executive Officer

I am delighted to share highlights of the Fund's performance for the year ended 30th June 2019. I also highlight our strategic priorities in the short and medium-term focusing on sustainable growth, improving service delivery, and offering competitive products and services to our customers. While employing a distinctive approach to decision making and performance analysis, the Fund made remarkable progress towards achieving our mandate in the provision of social security to workers in Kenya.

Key activities during the year

This year saw the launch of cashless operations and filing of returns online. This is aimed at streamlining our operations to delight our customers and allow them convenient intercourse with our business platforms, without necessarily visiting our offices. The re-certification of ISO 9001:2015 Management System confirmed our resolve to keep a standardized way of delivering value to our customers.

We remain faithful to the canons of ISO9001:2015 to ensure that we retain our cost efficiency, enhance customer satisfaction, and boost our response to market opportunities. We have vouched to have certification of Integrated Management System that will include Quality Management, Knowledge Management, and Information Security.



Moreover, we set out to restructure the Fund to update our preparedness to handle contemporary business challenges. This includes developing an efficient organisational structure with well defined lines of reporting and accountabilities. This will help us identify and fully unlock the potential of our human capital in pursuit of our mission.

Financial Performance

Our operational performance during the year was affected by an unfavorable operating environment, occasioned by fluctuations in the stock market, lay-offs by a number of organizations, and draught situation which adversely affected the agricultural sector – our largest business segment. Nevertheless, we were able to collect Kes 15.1 billion in contributions, earn Kes 8.9 billion from our investments, and pay out benefit claims to the tune of Kes 4.9 billion (whose processing time averaged twenty four days). This afforded us the growth of Kes 13.3 billion, pushing the fund value from Kes 221.7 billion, reported previous year, to Kes 235.1 billion.

Transformation

During the last half of the year under review, we embarked on preparation of the Fund's corporate strategic plan 2019-2022, upon which our agenda will find its strategic footing. The plan lays emphasis on growth, culture and governance, products and services, internal processes, customer engagement, service delivery, and corporate image.

The transformational strategy was formulated cognizant to the needs on the dynamic business environment, technological advancements, and the regulatory and legal framework. We are listening to our customers more and striving to anticipate their changing needs. Besides performance oriented approach to human resource management, we are investing in digital initiatives to penetrate the market beyond the traditional brick-and-mortar approach. It is for this reason that we have put in place more interactive platforms to enable our customers enjoy our services in the most convenient form – wherever they are in this republic.

Challenges

The instability of the Nairobi Securities Exchange saw us suffer unrealised losses on our equity investments. The continued capping of interest rates had its toll on our investments in Money Markets. Delay in resolving court cases is an imperative point of our discomfort too. In the first half of the year, the Board could not sit due to an injunction against it. This affected the Fund's activities in various spheres.

Furthermore, the court cases challenging the implementation of NSSF Act 2013 impacted on the amount of contributions receivable and the adequacy of benefits payable to members. Additionally, court cases against defaulting employers have taken relatively long to be determined. For instance, of the 134 pending court cases, 59 had outstanding dues amounting to Kes 182,962,496 as at 30 June 2019. This pile-up disadvantages workers who reach retirement age before cases involving their employers are resolved.

Outlook

Our refreshed strategic priorities build on our mission and core values, but mark a change in the way we operate as we move from turnaround to transformation. We are determined to build a culture of excellence and sustainable growth for long term returns. Further, we are making strategic partnerships to extend social security to the informal sector through various initiatives, including partnerships with Safaricom Limited and the World Bank.

In support of the Big Four Agenda, we carried out feasibility studies and engaged with Government and other private partners to fast-track the affordable housing projects. This will accommodate a large number of low income earners in our urban centres while generating more revenue for our members.

Conclusion

Social security holds a lot of potential for the economic development of this country. One of our key priorities is to ensure that we do everything we can to help unlock this potential. We are excited for what we have in store in the coming years. There are always external factors against which we have no control, but these will not be accepted as excuses. With an energized staff and support from the Board of Trustees, we have the resources and the will to perform excellently and generate value for those who patiently save for their retirement.

Dr. Anthony Omerikwa, MBS
CEO/ MANAGING TRUSTEE





CORPORATE GOVERNANCE STATEMENT

Corporate governance and its relationship to risk oversight is a continuing concern in present-day business. The Fund is committed to the highest standards of corporate governance and business ethics. Recognizing that good corporate governance is key to the enhancement of our business prospects, the Board of Trustees endeavours to discharge its mandate in the best interest of the Fund, her members, business partners and the public.

Even though the Board of Trustees delegates the authority for day-to-day management of the Fund to the CEO / Managing Trustee, it retains overall responsibility for the Fund’s financial performance, compliance with laws and regulations, and monitoring of its operations as well as ensuring efficient and effective management of the business.

ATTENDANCE OF BOARD MEETINGS AND REMUNERATION

Trustee	Date Appointed	Board Position	Board Committees / Attendance				Board Allowance	Other Payment	Total Payment
			FISS	HRLS	A & Risk	Full Board			
Gen (Rtd). Dr. J Karangi	06.06.2018	Chair				7	350,000	1,850,000	2,200,000
Hon. Joseph Lekuton	06.06.2018	Member	√4	√4		7	750,000	4,091,667	4,841,667
Prof. Marion Mutugi	06.06.2018	Member	√1	√5	√5	7	900,000	1,391,667	2,291,667
Dr. Geoffrey Mwau	01.01.2019	Member	√1			5	300,000	150,000	450,000
Dr. Francis Atwoli	17.09.2018	Member	√3	√2		6	550,000	626,667	1,176,667
Mrs. Jacqueline Mugo	17.09.2018	Member		√2	√4	4	500,000	576,667	1,076,667
Dr. Damaris Muhika	31.09.2015	Member	√1		√(Chair)5	6	600,000	2,300,000	2,900,000
Mr. Mark J. Obuya	20.02.2017	Member	√3	√4		7	700,000	2,800,000	3,500,000
Eng. Peter K. Tum	01.03.2019	Member	√		√1	2	150,000	200,000	350,000
Total							4,800,000	13,986,668	18,786,668

ATTENDANCE OF TRUSTEES WHO LEFT DURING THE YEAR

Trustee	Date Appointed	Board Position	Board Committees / Attendance				Board Allowance	Other Payment	Total Payment
			FISS	HRLS	A & Risk	Full Board			
PS Susan Mochache		Member				1	50,000		50,000
Dr. Ibrahim Mohammed	13.08.2018	Member	√2		√2	2	300,000	450,000	750,000
Mr. M. Kilaka	14.10.2015	Member	√ 4		√3	1	400,000	150,000	550,000
Ms. T. Maina	16.09.2015	Member		√(Chair)1	√	4	250,000	170,000	420,000
Mr. A. Munyiri	20.02.2017	Member	√	√ 1		4	250,000	102,000	352,000
Total							1,250,000	872,000	2,122,000

SUCCESSION PLANNING AND BOARD CHARTER

Board members are appointed in a staggered manner, with a two-month hiatus. This provides stability in oversight of the Fund by ensuring that there is always a proportion of trustees on the board with requisite institutional memory concerning, not only the business of the Fund, but also its long-term strategic perspective. The board has a Board Charter and an approved Governance Framework. These provide trustees with the guiding principles to enable the effective discharge of their duties in overseeing the affairs of the Fund.

THE APPOINTMENT AND REMOVAL OF TRUSTEES

The National Social Security Fund Act, 2013, guides the appointment and removal of Board of Trustees. The Board is fully constituted with nine Trustees in a tripartite arrangement. Five members, including the Chairman, are nominees of the Government; two are nominees of the most representative employers' organization, and the other two are nominated by the most representative workers' organization. Of the five nominated by the Government, three are independent persons appointed by the Cabinet Secretary in charge of social security by virtue of their knowledge in matters relating to administration of scheme funds, actuarial science, insurance, accounting and auditing or law.

The Act further stipulates circumstances under which a trustee can be removed from office. The circumstances include absenteeism from three consecutive Board meetings, without permission of the chairperson and plausible reason. If adjudged bankrupt or enters into a composition or arrangement with his creditors. If he is disqualified under any provision of the Constitution or any other written law from holding a public office. If he is convicted of a criminal offence, which brings to question his capacity or integrity to serve as a Trustee, and sentenced to imprisonment for a term of six months or more. If incapacitated by prolonged physical or mental illness. If they are unable or unfit to discharge their responsibilities under the Act.

ROLES AND FUNCTIONS OF THE BOARD

The Board of Trustees is charged with the responsibility of establishing the long-term goals and strate-

gies of the Fund and ensuring that they are implemented. This is achieved through determining the vision, mission, core values, and broad policies of the Fund and ensuring that structures and policies including organization systems, technology, and human resources are in place to achieve the Fund's purpose and objectives. The Board sets targets, monitors performance and determines the key performance indicators of the Fund through three established board committees. The committees are Finance, Investment and social Security; Human resource, legal and strategy; and Audit & Risk with clear terms of reference.

The Board is also expected to exercise objective judgment of its performance, independent from the Management, but with sufficient management information. This involves assessing its own performance and effectiveness at both Board level and individual Trustees. In its fiduciary role, the Board ensures that procedures and practices are in place to protect the Fund's assets and reputation. It therefore identifies key risk areas and key performance indicators of the Fund's mandate, constantly monitoring, and reviewing processes and procedures to ensure the effectiveness of the Fund's internal systems of control.

REMUNERATION OF THE BOARD OF TRUSTEES

The remuneration of the Board of Trustees is based on rates approved by State Corporations' Advisory Committee (SCAC)

INDUCTION AND TRAINING

On appointment to the Board, the Trustees have the benefit of an induction programme aimed at deepening their understanding of the Board, and the business environment in which the Fund operates. This includes background materials, meetings with senior management, and visits to the Fund's facilities. The induction programme is structured to cover their powers, responsibilities, the Board structure, membership, and processes. Additionally, knowledge of the Fund's business processes, corporate strategies, management, and key human resources of the Fund, knowledge of the financial documents, annual accounts, and the Trustees' Reports form part of the induction.

Further, as part of the induction programme, newly appointed Trustees receive the Governance Frame-

work, which contains the essential Board information. Training remains continuous to update Trustees with changes and trends in the Fund's business, which include changes and trends in the economic, political, social and legal environment generally.

SUCCESSION PLANNING AND BOARD CHARTER

Board members are appointed in a staggered manner, with a two-month hiatus. This provides stability in oversight of the Fund by ensuring that there is always a proportion of trustees on the board with requisite institutional memory concerning, not only the business of the Fund, but also its long-term strategic perspective. The board has a Board Charter and an approved Governance Framework. These provide trustees with the guiding principles to enable the effective discharge of their duties in overseeing the affairs of the Fund.

THE APPOINTMENT AND REMOVAL OF TRUSTEES

The National Social Security Fund Act, 2013, guides the appointment and removal of Board of Trustees. The Board is fully constituted with nine Trustees in a tripartite arrangement. Five members, including the Chairman, are nominees of the Government; two are nominees of the most representative employers' organization, and the other two are nominated by the most representative workers' organization. Of the five nominated by the Government, three are independent persons appointed by the Cabinet Secretary in charge of social security by virtue of their knowledge in matters relating to administration of scheme funds, actuarial science, insurance, accounting and auditing or law.

The Act further stipulates circumstances under which a trustee can be removed from office. The circumstances include absenteeism from three consecutive Board meetings, without permission of the chairperson and plausible reason. If adjudged bankrupt or enters into a composition or arrangement with his creditors. If he is disqualified under any provision of the Constitution or any other written law from holding a public office. If he is convicted of a criminal offence, which brings to question his capacity or integrity to serve as a Trustee, and sentenced to imprisonment for a term of six months or more. If incapacitated by prolonged physical or mental illness. If they are unable or unfit to discharge their responsibilities under the Act.

ROLES AND FUNCTIONS OF THE BOARD

The Board of Trustees is charged with the responsibility of establishing the long-term goals and strategies of the Fund and ensuring that they are implemented. This is achieved through determining the vision, mission, core values, and broad policies of the Fund and ensuring that structures and policies including organization systems, technology, and human resources are in place to achieve the Fund's purpose and objectives. The Board sets targets, monitors performance and determines the key performance indicators of the Fund through three established board committees. The committees are Finance, Investment and social Security; Human resource, legal and strategy; and Audit & Risk with clear terms of reference.

The Board is also expected to exercise objective judgment of its performance, independent from the Management, but with sufficient management information. This involves assessing its own performance and effectiveness at both Board level and individual Trustees. In its fiduciary role, the Board ensures that procedures and practices are in place to protect the Fund's assets and reputation. It therefore identifies key risk areas and key performance indicators of the Fund's mandate, constantly monitoring, and reviewing processes and procedures to ensure the effectiveness of the Fund's internal systems of control.

REMUNERATION OF THE BOARD OF TRUSTEES

The remuneration of the Board of Trustees is based on rates approved by State Corporations' Advisory Committee (SCAC)

INDUCTION AND TRAINING

On appointment to the Board, the Trustees have the benefit of an induction programme aimed at deepening their understanding of the Board, and the business environment in which the Fund operates. This includes background materials, meetings with senior management, and visits to the Fund's facilities. The induction programme is structured to cover their powers, responsibilities, the Board structure, membership, and processes. Additionally, knowledge of the Fund's business processes, corporate strategies, management, and key human resources of the Fund, knowledge of the financial documents, annual accounts, and the Trustees' Reports form part of the induction.

Further, as part of the induction programme, newly appointed Trustees receive the Governance Framework, which contains the essential Board information. Training remains continuous to update Trustees with changes and trends in the Fund's business, which include changes and trends in the economic, political, social and legal environment generally.

BOARD COMMITTEES

Audit and Risk Committee



Dr. Damaris Muhika, Chairperson Audit & Risk

Members

1. Dr. Damaris Muhika - Chairperson
2. Prof. Marion Mutugi, EBS
3. Dr. Geoffrey Mwau, EBS
4. Mrs. Jacqueline Mugo, OGW, MBS
5. Principal Secretary, State Department for Labour

The Committee is entrusted with the responsibility of ensuring overall compliance, governance and risk management. It evaluates adequacy of management procedures regarding risk management, control, and governance. It reviews and approves the audit charter and the internal audit annual work plans.

Further, the committee reviews internal and external audit findings, recommends, and proposes corrective and preventive action. To maintain strong internal controls, the committee reviews the systems established to ensure sound public financial management as well as compliance with policies, laws, regulations, procedures, plans and ethics. Initiating special audit or investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency. This is done in consultation with the accounting officer.

Finance, Investments and Social Security Committee (FISS)



Hon. Joseph Lekuton - Chairman FISS

Members

1. Hon. Joseph Lekuton - Chairman
2. Mr. Francis Atwoli EBS, MBS, (NOM, DZA)
3. Mr. Mark J. Obuya
4. Dr. Geoffrey Mwau EBS
5. Principal Secretary State Department for Labour

The Committee assists the Board in fulfilling its core mandate besides directing the investment, financial and Information Technology function of the Fund. It achieves this by ensuring high standards of customer care, member registration, payment of benefits, marketing, including new product development, and IT strategy. The committee also oversees member contributions, Investment Policy, and performance of the Fund. Further, the committee is involved in review of budgets, financial statements, and accounting policies.

Human Resource, Legal & Strategy Committee (HRL&S)



Prof. Marion Mutugi - Chairperson HRL&S

Members

1. Prof. Marion Mutugi EBS- Chairperson
2. Mr. Mark J. Obuya
3. Mr. Francis Atwoli EBS, MBS, (NOM, DZA)
4. Mrs. Jacqueline Mugo OGW, MBS
5. Hon. Joseph Lekuton

The Committee oversees the Fund on matters relating to legal and Human Resource Development. It also provides guidance on matters relating to the overall corporate strategy of the Fund. It specifically provides review and guidance on human resource policies, legal cases, monitors strategic changes in the Fund, and oversees corporate governance practices.

BOARD AND MEMBER PERFORMANCE

The board formulates and approves the annual work plan to guide the activities of the Board including meetings of the Board and committees throughout the year. For the financial year under consideration, the current board has scheduled a board and member performance evaluation in the second quarter of 2019/2020.

CONFLICT OF INTEREST

The Fund has a procedure for handling conflict of interest. Trustees and staff who have an interest on a matter under deliberation or are engaging in business activities that are directly connected to or are in conflict with the interests of the Fund must declare it to either the Board or the Management. This is in addition to complying with any directions to avoid the conflict, which includes refraining from participating in any deliberations with respect to the matter of conflict. In addition, staff are required not to engage in private business during official working hours.

ETHICS AND CONDUCT

The NSSF has an approved Code of Conduct and Ethics that establishes standards of ethical conduct and behaviour for Trustees and staff. Observance of the Code ensures that the Fund maintains integrity and impartiality in public service. The Code supports the regulations governing the discipline and the general conduct of public officers. The Fund has established a fully-fledged Ethics and Integrity Department, which monitors and advises on the ethical conduct of staff and sensitises them on a regular basis. Committees have been established in all departments and branches to spearhead ethical behaviour


GOVERNANCE AUDIT

The Fund has an internal Governance audit mechanism and matrix to track the implementation of the Fund’s governance framework. During the Financial year 2019/2020, the Fund has planned a comprehensive external governance audit.

The Board of Trustees oversees accountability and audit function, through its Audit and Risk Committee, by reviewing and approving the internal and external audit findings, instituting preventive measures, systems and internal controls. The committee initiates special investigation of allegations on corruption and accountability. It also undertakes analysis of various types of risks by establishing Risk checklist that is reviewed regularly.

Key Stakeholders of the Fund

- a) The government of Kenya, whose policies and legislative actions directly or indirectly affect the operations of the Fund.
- b) The Federation of Kenya employers whose decisions may have impact on the contribution receivable from their members.
- c) Employees and Central Organization Trade Unions: COTU’s decisions affect employee relations.
- d) Citizens, Customers, Suppliers and other strategic business partners



95%

composite score from the Ombudsman on resolution of public complaints and access to information

NSSF STAKEHOLDER ANALYSIS			
STAKEHOLDER	ROLE/RESPONSIBILITY	WHAT THEY CAN DO FOR NSSF	WHAT NSSF CAN DO FOR THEM
Employers (National and County Governments and Private Sector)	To support and promote social security	To register with NSSF, Remit employee deductions, Availing records for inspection as required	Employer registration, Issue Certificate of Compliance, Avail employers Statements, acknowledge payments – receipts, Good governance, Employee registration, Provide information
Members	Register with NSSF.	Remit monthly contributions (Voluntary members), Promote and protect public interest.	Member registration, Member Statement, Benefits Payment, Good Governance, Better Returns, Provision of information, Promote and protect member interest.
Ministry of Labour and Social Protection	To formulate, coordinate and implement sound labour and employment policies for the attainment of social justice, industrial peace and enabling environment for employment creation	Policy formulation and advisory	Corporate Strategic Plan, Signing Performance Contracts, Submission of quarterly, performance reports
Ministry of Finance (National Treasury)	Formulate and implement macro-economic and fiscal policies.	Approval of annual budget, Represent the interest of the Government	Submit annual budget, submit quarterly financial reports, Submit quarterly performance reports, Implementation of policies

NSSF STAKEHOLDER ANALYSIS

STAKEHOLDER	ROLE/RESPONSIBILITY	WHAT THEY CAN DO FOR NSSF	WHAT NSSF CAN DO FOR THEM
Federation of Kenya Employers	A platform for the articulation of key concerns of the employers in Kenya in the areas of socio-economic development.	Represent interests of employers, Policy support.	Availing performance reports
Central Organization of Trade Union (COTU)	Promote, Safeguard and Improve the welfare of all Workers through Social Dialogue and Effective Representation.	Represent interests of employees, Policy support.	Availing performance reports.
Retirement Benefits Authority (RBA)	To proactively promote savings for retirement in Kenya through safeguarding, supervising and facilitating the development of the retirement benefits sector.	Safeguard and supervise NSSF, Issue Certificate of compliance.	Submit performance reports, Submission of Deeds and Rules
Kenya Bureau of Standards (KBS)	Provide Standards-based solutions that promote innovation, trade and quality life.	Certification on Management Systems	Conform to the requirements of: ISO 9001:2015; ISO 30401: I2018 and ISO 27001:2013 Standards.
Ethic & Anti-Corruption Commission (EACC)	To promote integrity and combat corruption through law enforcement, prevention and education.	Investigate corruption matters, Create awareness on corruption prevention	Submit quarterly Performance Reports on corruption eradication indicator.
Public Procurement Oversight Authority (PPOA)	Facilitate access to procurement opportunities by enabling regulation that fosters value for money for national socio-economic development	Compliance with the Procurement Act	Submission of report on YAGPO, Submission of report on tenders above kshs.5, 000,000.00 etc.
Kenya Revenue Authority (KRA)	Revenue Collection	Information sharing	Remission of tax deducted
Judiciary	Adjudication of criminal and civil cases	Adjudication	Provide evidence
Office of the Auditor General	Audit of Public Revenues and expenditure	Undertake Audit of NSSF operations	Provision of information
Development Partners	Provide technical support Provide financial support Share information	Provide technical support, provide financial support, Share information	Information sharing
Electronic & Print Media	Disseminate information	Dissemination and sharing of anticorruption information	Provide information
The Public	Support good governance initiatives	Provide information to support NSSF mandate	Promote and protect public interest, Awareness creation on Social Security
National Hospital Insurance Fund (NHIF)	To contribute towards universal health coverage in the provision of affordable, accessible, sustainable and quality health insurance through strategic resource pooling and healthcare purchasing in collaboration with stakeholders	Information sharing	Information sharing
National Environmental Management Authority (PIC)	Management of the environment, and environmental policy	Approvals of all Development projects, Compliance Certificate	Compliance to the requirements
Financial Institutions (CBK KCB, NBK, Co-operative Bank)	Banking	Safe custody of cash, Bank statements, Declaration of interests	Cash/Cheque Deposits, Cash withdrawals
Ministry of Lands	Land administration	Conduct land searches, Issuance of titles	Payment of Land rates
National Assembly (PIC)	Legislation and oversight	Oversight NSSF operations	Implementation of recommendations



NSSF
Growing You. For Good

“

**RETIREMENT
BENEFITS**

MANAGEMENT DISCUSSION AND ANALYSIS

A REPORT ON THE OPERATIONAL AND FINANCIAL PERFORMANCE

The Fund’s operational and financial performance is based on the 2014-2019 Strategic Plan, Budget for 2018/2019, and the set targets as per 2018/2019 Performance Contract signed between the Board of Trustees and the Principal Secretary, Department of Labour of the Ministry of Labour and Social Protection, cascaded to management.

During the year ending 30 June 2019, contribution of Kes 15.1 billion was collected from 2.6 million members. This was a 7.5% growth from Kes 14.0 billion collected in the previous year. Benefit payments of Kes 4.94 billion were paid with respect to 84,620 claims during the year. This is 30.4% increase of the benefit claims paid in the previous year of Kes 3.78 billion.

The net income from investments was Kes 8.93 Billion, down from Kes 20.6 billion in the previous year. This was due to the poor performance of equities in the Nairobi Securities Exchange. The Fund’s operating costs during the year amounted to Kes 5.77 billion against Kes 5.17 billion, incurred the previous year recording a 11.5% increase.

The Fund recorded a net increase in scheme funds of Kes 13.38 billion down from Kes 25.75 billion during the previous financial year. From this performance, the fund value increased from Kes 221.73 billion to Kes 235.07 billion as at the close of this financial year.



Key Performance Ratios

A summary of key performance ratios for the year as shown here below:

DETAILS	Actual	Actual	Actual	Actual	Actual
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	%	%	%	%	%
Staff costs to Operating Costs	53.92%	62.09%	60.69%	73.80%	71.18%
Admin cost to Operating Costs	21.38%	29.91%	27.82%	26.05%	26.42%
Operating Costs to Investment income	57.58%	535.99%	31.35%	29.30%	64.21%
Operating Costs to Contributions	52.51%	42.79%	47.24%	36.84%	38.19%
Total Operating Costs to Net Assets	3.73%	3.20%	3.26%	2.33%	2.45%
Return on investments to Net Assets	6.47%	0.60%	10.38%	9.32%	5.69%

Contributions

Financial Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Kes M	Kes M	Kes M	Kes M	Kes M
Contributions	11,749	12,875	13,547	14,044	15,102

5 Year Contribution Trend



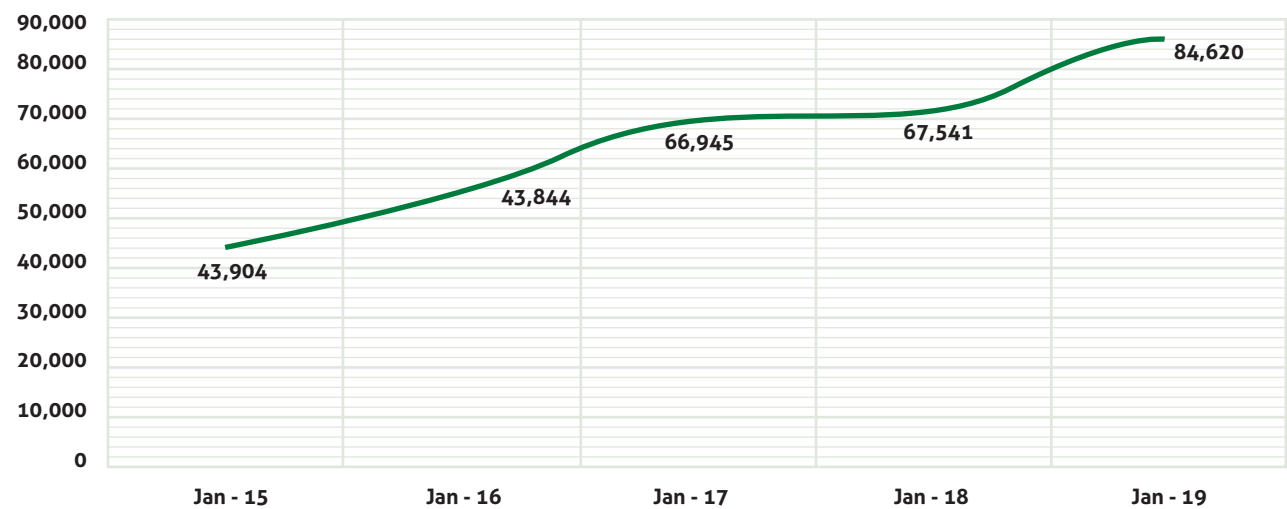
Benefits Payment Trend

Financial Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Kes M	Kes M	Kes M	Kes M	Kes M
Benefits	3,091	3,121	3,661	3,789	4,939

5 Year Benefits Trend



Trend of Benefits Paid in Number of Claims



DEVELOPMENT OF THE 2019-2022 CORPORATE STRATEGIC PLAN

During the year under review, we developed the Corporate Strategic Plan covering the period 2019-2022. The development and formulation of this strategic plan was done taking into consideration the emerging developments, social cultural trends, trends in the pension industry, case studies in five countries (Ghana, Cape Verde, Senegal, South Africa, and Philippines), competitors and changes in our operating environment and the need to strategically position NSSF as the first pillar in provision of Social Security.

In development of this plan we adopted a new vision statement, enhanced mission statement, introduction of a customer value proposition and inclusion of “care” and “transformation” as part of our core values. The strategic plan has taken consideration of the dynamics in the industry and we intend to focus more on the informal sector and come up with new product offerings and services. One of the key opportunities we identified in this plan is partnerships with both private and public business entities. We believe that our new approach to doing business will support The Fund’s growth strategy, financial sustainability and fulfilment of our mandate.

The 2019-2022 Strategic Plan focuses on six key themes in support of the Fund’s Vision “To be the trusted Social Security Provider”, which are: Growth, Culture and Governance, Products and Services, Internal Process, Customer Engagement and Service Delivery, and Corporate Image.



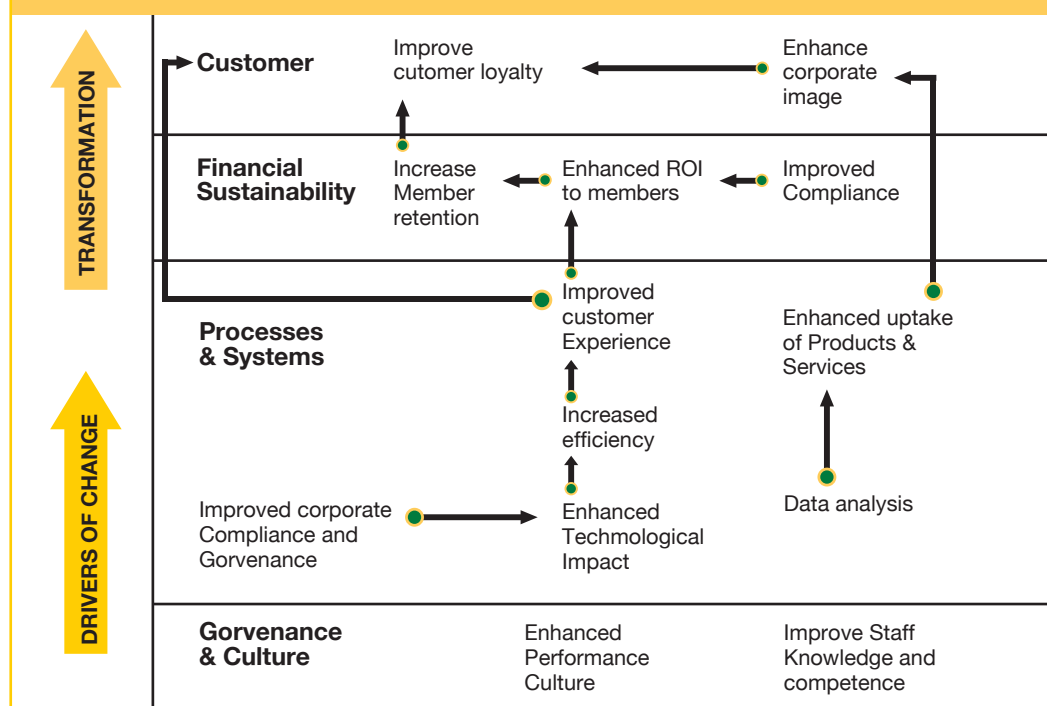
Strategy Implementation and Monitoring

We have adopted the Balance Scorecard, a performance management system, and have aligned this tool to the Fund’s performance appraisal system for effective operationalization and monitoring of the six strategic objectives. In ensuring that we surpass the implementation rating of the previous strategic plan, we have developed prioritization matrix which has ensured all initiatives have been mapped out over the three-year period.

Strategic Direction

The Fund has identified three Pillars: Growth, Products & Services and Customer Engagement and Service Delivery. These constitute the first three strategic themes. In addition, there are two themes that act as enablers of the pillars. These are Internal Processes and Corporate Image. The pillars and enablers are predicated on one strategic theme which acts as the foundation for the strategic plan, Culture and Governance.

The Fund's Strategy for 2019-2022 will be driven by a TRANSFORMATIVE AGENDA and DESIRED RESULTS



Mission	To provide adequate income replacement to members through prudent investments and prompt payment of benefits					
Vision	To be the trusted Social Security Provider					
Strategic Themes	Culture and Governance	Growth.	Customer Engagement & Service Delivery.	Products & Services	Internal Processes	Corporate Image
Strategic Objectives	To improve the Fund's performance culture and corporate compliance	To significantly grow the Fund's actuarial values	To ensure customer centricity	To develop a portfolio of value adding products and services provided	To achieve and sustain high operational efficiency	To enhance the brand of the Fund
Values	Customer Focus + Integrity+ Accountability + Transformational + Care					

Particulars	2019			2018		
Categories of assets	Value	%	RBA Max % Req	Value	%	RBA Max % Req
Investment Portfolio						
Cash and bank balances	419,376,662	0%	5%	1,271,066,588	1%	5%
Short term deposit	9,659,178,400	4%	30%	5,637,577,681	3%	30%
Govt Securities	111,027,597,695	49%	90%	89,044,783,931	42%	90%
Corporate bonds	7,140,397,038	3%	30%	7,677,218,892	4%	30%
Quoted Equities	52,750,355,185	23%	70%	65,392,554,087	31%	70%
Unquoted equities	1,679,927,974	1%	5%	1,676,393,760	1%	5%
Immovable property	42,587,620,231	19%	30%	43,358,289,278	20%	30%
Offshore investment	-	0%	5%	-	0%	5%
Investment Assets	225,264,453,186	100%	-	214,057,884,217	100%	-
Other assets	11,765,412,349			9,966,898,060		
Total Assets	237,029,865,535			224,024,782,277		

KEY PROJECTS OR INVESTMENTS DECISION IMPLEMENTED OR ONGOING

Millimani Executive Apartments ready for occupation

COMPLIANCE WITH STATUTORY REQUIREMENTS

The Fund developed and implemented a compliance checklist, whose monitoring and evaluation is on a regular basis, depending on the set timelines and contractual terms. During the year ended on 30 June 2019. The Fund complied with all its statutory obligations to tax authorities, the Retirement Benefits Authority, National Hospital Insurance Fund, The National Treasury, and the Office of Auditor General.

ENTERPRISE RISK MANAGEMENT (ERM)

There is value in planning for uncertainty. The Fund is aware that ignoring risks might give large short-term gains at the expense of its long-term interest. ERM provides a systematic, co-ordinated, and a continuous process to identify, measure, respond, monitor, and report on key risks. The Board of Trustees and Management are cognisant of the fact that not all risks can be eliminated, and has therefore devised mechanisms to cope with residual risk.

The Fund is committed to embedding risk management principles and practices:

1. In strategic and operational plans;
 2. In business and financial processes;
 3. In all administrative levels i.e. Divisions, Departments, Regions and Branches;
 4. On major projects undertaken; and
 5. On major contracts entered into with third parties.
- Risk management is based on the proposition that it must produce value to the Fund, and that the benefit of reducing risk must be greater than the cost of man-

aging it. Based on the ERM, the following key exposure risks have been identified and strategies put in place to manage them:

- a) Corporate governance risk due to instability of tenure in the Board of Trustees, the office of the Chief Executive, senior management, and succession planning in management;
- b) Market and business risks the Fund is exposed in the Nairobi Securities Exchange and competition in the financial sector; and
- c) Court cases affecting business especially the petition restricting the Fund from implementing of the NSSF Act 2013; and
- d) Competition from other players in the financial sector, particularly in the pension industry and the expected entry of the Housing Pension Scheme.

MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

No material arrears in statutory or other financial obligations had been identified as at 30 June 2019.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund is committed in ensuring that corporate social responsibility (CSR) and sustainability are engrained in every aspect of the Fund's operations. Our aim is to go beyond meeting the statutory and regulatory compliance requirements to socially responsible investing. The various initiatives we have adopted comprises "care" for others, self, and the Fund. Care as one of our core values demonstrates concern to our stakeholders and minimizing our impact on the environment through:



- Undertaking risk assessments of our business operations and maintaining our IMS Certification (ISMS 27001:2013, ISO 9001:2015, KMS 30401:2018);
- Ensuring that in the projects the Fund undertakes, we measure energy use and carbon dioxide emissions, identify, and implement energy saving solutions, wherever reasonably practicable;
- Recycling office and waste materials where practicable and cost-effective;
- Communicating our requirements and needs to all stakeholders;
- Demonstrating accountability to our stakeholders through annual sustainability reports which document our most important environmental, social and economic impacts;
- Supporting the communities in which we operate through the thematic areas highlighted in our Corporate Social Responsibility Policy; and
- Ensuring that resources are allocated, clear corporate social responsibility objectives and targets set, monitored, measured and the results communicated on annual basis.

The Fund's commitment to the society is embedded in the principles of ensuring social protection and empowerment for all. We are committed to creating positive impact on the communities within which we operate. The Fund's CSR is an integral part of its overall business strategy. As a way of ensuring the success of these interventions in the community, the Fund focuses on the following key pillars which are aligned to our CSR policy: Education, Health, and Environment.

1. Education

A well-educated population guarantees a better workforce and citizens that are more responsible. It is for this reason that we promote initiatives that influence learners' success.

The inception of universal Free Primary Education and Free Secondary Education programmes in 2003 and 2008 respectively has increased enrolments in public schools stretching Government resources.

We try to bridge this gap by getting involved in a number of support activities in the education sector. These include participating in building classrooms, Libraries, and sanitation facilities.

The Fund sponsors themes in annual Kenya Music Festivals that promote national integration and cohesion, and those inculcating a saving culture amongst the youth.



Figure 1 Archbishop Njenga Girls School, Kakamega who won the NSSF Trophy for the best choral verse based on the theme "Growing you for Good."



St.Cecelia Misikhu Girls School-Bungoma County being the proud winners of the overall NSSF Challenge Trophy for the best performance in English coral verse.

2. Health

NSSF engages in collaborative partnerships with the Government and other reputable organizations to address and promote public health issues with special focus on HIV/AIDS, Malaria, and Malnutrition. NSSF in partnership with Ahadi Kenya Trust donated Ambulance Mashinani to AIC Kamukuywa dispensary in Bungoma County. The Ambulance Mashinani will help the Kamukuywa community in improving the lives of the residents by offering emergency response, especially to children and pregnant women. The Ambulance Mashinani will also help in addressing other emergencies in relation to community health.



Dr Kamau, CEO Ahadi Kenya Trust with Dr Khisia PR and Communication manager, NSSF Nairobi handing over Ambulance Mashinani to the Administrator and Sister In Charge of AIC Kamukuywa Dispensary



Dr Kamau, CEO Ahadi Kenya Trust with Dr Khisia PR and Communication manager, NSSF Nairobi handing over Ambulance Mashinani to the Administrator and Sister In Charge of AIC Kamukuywa Dispensary



Dr Kamau CEO Ahadi Kenya Trust and Dr Khisia PR and Communications Manager NSSF Nairobi, handing over the chArm machine to sister in charge AIC Kamukuywa dispensary and on the right NSSF staff testing children using the charm

3. Environment

The Fund endeavors to play a central part in the conservation of the environment by undertaking annual tree planting initiatives across the country and other related activities to promote a sustainable environment as a lasting impact.



NSSF Mtwapa Branch Team led by Branch Manager Madam Ibtisam Mohamed during an annual tree planting exercise in May 2019



NSSF Kabarnet Branch Team led by Branch Manager, Madam Nancy Roktok during an annual tree planting exercise in May 2019

Comparative Pension Contribution Rates Internationally

Country	Employer Rate	Employee Rate	Total	Life Expectancy (Years)
France	45%	22%	67%	83
Italy	30%	10%	40%	83
Algeria	26%	9%	35%	77
Czech Republic	34%	0%	34%	79
Japan	14.60%	14.60%	29%	86
Egypt	26%	0%	26%	72
Malaysia	12%	11%	23%	76
Tanzania	10%	10%	20%	65
Ghana	13%	5.50%	19%	64
Uganda	10%	5%	15%	63
Nigeria	10%	5%	15%	54
Senegal	8.40%	5.60%	14%	68
Kenya	6%	6%	12%	67

NSSF STAFF TRAINING PLAN PROCESS

Training and capacity building play a major role in equipping members of staff with requisite knowledge to shape the Fund’s organizational and institutional capability.

The Fund is therefore committed to linking learning with organizational as well as individual performance, or exploring ways of achieving high quality ethical and professional learning.

To enhance the benefits that arise out of such training investments, internally trained Training Champions carry out an annual Training Needs analysis and a bi-annually Training Impact evaluation. The results that come out on the Training Impact enable the Management to make appropriate decisions.



NSSF staff in a training session

NSSF PROMOTES LABOUR RELATIONS

Labour relations is an important aspect in maintaining harmonious relationship between management and employees. It is the key to progress and success of the Fund.

To promote sound labour relations, the Fund, in collaboration with its employees, has established policies and procedures on collective bargaining, grievance handling, and discipline. Such policies and procedures protect and promote freedom of association. It ensures that its operations are within the labour law regulations and maintains cordial relationship with the tripartite through constant communication.



NSSF staff in a training session



REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are, as stipulated under Section 4 of the NSSF Act 2013, to register members, receive their contributions, invest the funds, process and ultimately pay out benefits to eligible members or their dependants.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 1 below is summary of the profit or loss made during the year.

Interest to Members

Section 2 of the NSSF Act 2013 requires that investment income be credited to the accounts of individual members, at such rates as the Board may, in consultation with the Actuary or such other qualified person, determine and approve at least annually, having regard to the income on the Fund's assets. Interest declared and paid in the last six years is as follows:

Financial Year	Declared interest %
2013/2014	12.5
2014/2015	3.0
2015/2016	6.0
2016/2017	7.0
2017/2018	7.0
2018/2019	Awaiting audit of financial statements and actuarial valuation

The Board of Trustees shall declare the interest for the financial year ended 30 June 2019 after considering the actuarial valuation report.

Trustees

The members of the Board of Trustees who served during the year are shown on page iv in accordance with NSSF Act 2013.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board,



Dr. Anthony Omerikwa, MBS
CEO and Secretary to the Board
Nairobi

Date: 22nd June 2020

STATEMENT OF TRUSTEES' RESPONSIBILITIES

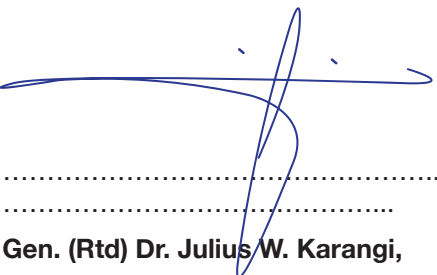
Section 81 of the Public Finance Management Act, 2012, National Social Security Fund Act, 2013, the Retirement Benefits Act, 1997, and the State Corporations Act No. 446 require the Trustees to prepare financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that year. The Trustees are also required to ensure that the Fund keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund.

The Board of Trustees is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for NSSF's Financial Statements, which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Public Finance Management Act, 2012, the National Social Security Fund Act, 2013 and the Retirement Benefits Act 1997. The Trustees are of the opinion that the Financial Statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2019, and of the Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of systems of internal financial control. Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board of Trustees on 24 September 2019 and signed on its behalf by:



Gen. (Rtd) Dr. Julius W. Karangi,
EGH CBS DCO LOM 'ndc' 'psc' (K)
Chairman, Board of Trustees

Date: 22nd June 2020



Dr. Anthony Omerikwa, MBS
CEO/Managing Trustee

Date: 22nd June 2020



NSSF
Growing You. For Good



REPORT OF THE AUDITOR-GENERAL ON NATIONAL SOCIAL SECURITY FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Social Security Fund (NSSF) set out on pages 52 to 96, which comprise of the statement of net assets available for benefits as at 30 June, 2019, statement of changes in net assets available for benefits, statement of changes in accumulated Members' Funds, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the National Social Security Fund Act, 2013.

Basis for Qualified Opinion

1. Unaccounted for Members Contributions - Contributions in Transit

The statement of changes in net assets available for benefits reflects a net surplus from dealings with members amount of Kshs.10,163,269,208. In compliance with the Retirement Benefits Act, 1997, NSSF maintains employer contribution clearing accounts where total contributions are posted from the employers' accounts. It is from these clearing accounts that members' accounts are credited for benefits payment upon qualification. A review of Note 41 to the financial statements revealed that in the year under review, the contributions in transit representing contributions which had not been posted to individual members accounts reduced from Kshs.663,000,000 as at 30 June, 2018 to Kshs.290,000,000 as at 30 June, 2019 being a net change by Kshs.373,000,000. Management has not provided explanations for failure to reconcile and post the amounts to the respective member's accounts.

Consequently, the accuracy, completeness and validity of the statement of changes in net assets available for benefits for the year ended 30 June, 2019 could not be confirmed.

2. Unreconciled Cash and Bank Balances

The statement of net assets available for benefits reflects cash and bank balance of Kshs.419,376,662. A review of the Fund's bank balances held by various financial institutions indicated a negative balance of Kshs.268,049,312 in respect of the National Bank of Kenya while as the bank reconciliation statement reflected a positive balance of Kshs.198,407,296.

Further, an analysis of the Fund's bank reconciliation statements revealed the following unsatisfactory matters:

2.1 Unrecorded Receipts in Bank Statements and Cashbook

The bank reconciliation statements reflected receipts in the bank totalling Kshs.2,063,448,078.76 on 30 June, 2019 which was at variance with the amount reflected in the cashbook of Kshs.1,658,301,341.

2.2 Unrecorded Payments in Bank Statement and Cashbook

The bank reconciliation statements reflected payments in the bank not recorded in the cashbook amounting to Kshs.498,906,547.62 as at 30 June, 2019 which was at variance with amount reflected in the cashbook of Kshs.1,751,322,101.39. Further, included in this amount were payments amounting to Kshs.1,745,080,309.24 which had not been reconciled.

Management has explained that the above balances were held for prolonged periods without being cleared due to the inability of the accounting systems to clear the old balances.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.419,376,662 reflected in the statement of net assets available for benefits as at 30 June, 2019 could not be confirmed.

3. Unsupported Returned Benefits

The statement of net assets available for benefits reflects payables and accruals balance of Kshs.1,959,062,448 and as disclosed under Note 32 to the financial statements. The amount includes an amount of Kshs.269,378,392 in respect of returned benefits payable to members. It was not clear why the returned benefits have been outstanding for a long period of time without being investigated or beneficiaries identified, paid and cleared from the system.

Consequently, the accuracy, completeness and validity of payables and accruals balance of Kshs.1,959,062,448 reflected in the statement of net assets available for benefits as at 30 June, 2019 could not be confirmed.

4. Investments in Doubtful Bonds

As was reported in the previous year the financial statements reflected Kshs.7,807,297,038 on corporate bonds out of which a provision for doubtful investments of Kshs.666,900,000 was deducted, leaving net balance of Kshs.7,140,397,038.

A review of the status of investment in corporate bonds confirmed that the Fund entered into contractual agreements with four (4) Fund Managers namely; Old Mutual Investment Group Ltd, Genesis Kenya Investment Management Limited (GenAfrica Asset Managers), British American Assets Managers Limited and Stanlib Kenya Limited in February, 2018 in line with Retirement Benefits (Managers and Custodians) Regulations. The Fund Managers were to have full control and unrestricted power to invest Fund's money as per the investment policy for maximum returns to Trustees.

Information and explanations provided by the Fund Managers is that both Imperial Bank and Chase banks were cleared and approved by the Capital Markets Authority as the mandated regulators and supervised by the Central Bank of Kenya as legally viable investment vehicles in which Fund's money can be committed. However, approval to invest in the two Banks by The National Treasury was not availed for audit verification.

A five year, three months (5.25 years) fixed bond worth Kshs.132,200,000 was held by Imperial Bank but the Bank was placed under statutory management by the Central Bank of Kenya on 13 October, 2015. At the time, the Fund held corporate bonds totalling Kshs.666,900,000 through its Fund Managers. A provision for the entire amount has been made in the financial statements as tabulated below:

CORPORATE BONDS HOLDING AT IMPERIAL AND CHASE BANK						
Corporate Bond Position as at 30 June, 2019						
ID Number	Text ID Number	Portfolio	Nominal Amount (Kshs)	Price (Kshs.)	Market Value (Kshs.)	
Imperial_FXD	Imperial 5.25YR FXD Bond	Britam	90,000,000	100	90,000,000	
Imperial_FXD	Imperial 5.25YR FXD Bond	Old Mutual	42,200,000	100	42,200,000	
KE5000002104	FXDCHASE2015	Britam	100,000,000	100	100,000,000	
KE5000002104	FXDCHASE2015	GenAfrica	160,000,000	100	160,000,000	
KE5000002104	FXDCHASE2015	Old Mutual	174,700,000	100	174,700,000	
KE5000002104	FXDCHASE2015	STANLIB	100,000,000	100	100,000,000	
Total			666,900,000		666,900,000	

In the circumstances, the realization of the investment in Corporate Bonds amounting to Kshs.666,900,000 invested by the Fund Managers could not be ascertained and members' contributions are at risk of being lost.

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

Key Audit Matters

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

Other Matter

1. Budget Control and Performance

The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.33,995,631,000 and Kshs.19,549,069,192 respectively resulting to an under-funding of Kshs.14,446,561,808 or 42% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.6,722,064,000 and Kshs.6,171,467,974 respectively resulting to under-utilisation of Kshs.550,596,026 or 9% of the budget. Management explained this fall to have arisen from investment management expenses of Kshs.235,393,947 occasioned by poor portfolio performance leading to lower amounts claimable. Further, the assets whose titles were revoked caused the variance of Kshs.40,431,395 or 41% on provisions.

2. Unresolved Prior Year Audit Matters

The following matters from previous years remained outstanding as at 30 June, 2019.

2.1 Irregular Disposal of Undeveloped Land - Mavoko

As previously reported, undeveloped land in Mavoko Municipality measuring 69.16 acres was subdivided into seven (7) plots of 9.88 acres and disposed-off at Kshs.18,000,000 each. The plots were sold to AMS Properties Limited on the basis of an agreement dated 21 November, 2011 at a total cost of Kshs.126,000,000. However, only Kshs.12,600,000 or 10% was paid vide Miscellaneous Receipt M010022315 dated 23 August, 2011. The balance of Kshs.113,400,000 which was to be paid within 90 days from the date of execution of the agreement has not been settled to date.

The Management has explained that the contract has not been terminated since the delay in completing the conveyancing process was caused by a dispute over physical location of the plots involving the Fund and other parties who claimed to have ownership documents of the land. The Fund Management has not adequately explained why it has taken a long time to resolve the disputes on the plot and what legal action has been taken to resolve the matter.

2.2 Kisumu Milimani Upmarket Houses

As previously reported, land LR.KISUMU/MUN/8/258 measuring 0.7740 Ha. situated in Milimani Estate, Kisumu County was on 26 November, 2012 swapped to offset a debt of Kshs.158,969,145.00 owed to the Fund by the then Municipal Council of Kisumu. The land is currently valued at Kshs.220,000,000. At the point of the swap in 2012 the land had been valued at Kshs.95,000,000 and Kshs.100,000,000 by Value Zone Limited and Tysons Limited respectively. Currently the National Social Security Fund does not have a policy on write-offs of penalties and swaps of property for contributions owed.

2.3 Tassia I and Tassia II Scheme

As previously reported, the Fund holds titles for Block 97, 21190 and 21189 in Tassia along Outering Road measuring 350 Acres. The land was acquired at a cost of Kshs.2.2 Billion from Tassia Coffee Estate Ltd and Nokin Investment Ltd and in 2005. The Fund sold 5,500 plots to informal settlers as un-serviced plots. Further, there were contributions made by the plot owners for infrastructure development to service the plots.

However, at the time of audit in June, 2020, the title deeds had not been processed and neither had the infrastructure development been carried out as expected.

Consequently, the delay in resolving the issue on titles and laying of infrastructure could attract claims and prolong disputes from the plot owners.

2.4 Fixed Deposits held to Maturity

Note 17(b) to the financial statements reflects Kshs.6,104,878,400 in relation to fixed deposits (held to Maturity) as at 30 June, 2019 and which is net of provision for doubtful deposits held in Chase Bank and Imperial Bank at Kshs.70,000,000 and Kshs.259,500,000 respectively. These deposits were invested between 08 September, 2015 and 03 March, 2016 and were expected to mature between December, 2015 and May, 2016. This however, and as previously reported, did not materialize since both Chase Bank and Imperial Bank were placed under Statutory Management by the Central Bank of Kenya on 07 April, 2016 and 13 October, 2015 respectively. A review of the matter during the year ending 30 June, 2019 revealed that Kshs.53,373,740.10 and Kshs.52,970,671.10 were recovered from Imperial Bank and Chase Bank respectively both totalling Kshs.106,344,411.20 as illustrated in the table below.

Imperial/Chase Bank Ltd Redemptions as at 30 June, 2019					
	Deposits		Corporate Bonds		
Bank	Imperial Bank (Kshs.)	Chase Bank (Kshs.)	Imperial Bank (Kshs.)	Chase Bank (Kshs.)	Total (Kshs.)
Holding	259,500,000.00	70,000,000.00	132,200,000.00	534,700,000.00	996,400,000.00
Received					
2018/2019	26,691,232.15	52,970,671.10			79,661,903.25
2017/2018	26,682,507.95				26,682,507.95
Balance	206,126,259.90	17,029,328.90	132,200,000.00	534,700,000.00	890,055,588.80

In the circumstances, the recoverability of the balance of Kshs.666,900,000 on Investments in Corporate Bonds from Imperial Bank and Chase Bank as at 30 June, 2019 is doubtful.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Construction of Hazina Trade Centre

Included in the assets under construction balance of Kshs.3,213,440,907 is an amount of Kshs.2,480,782,310 in respect of Hazina Trade Centre whose construction was ongoing as at the time of audit. The was awarded at an initial contract sum of Kshs.6,715,218,188 for construction of thirty-six (36) floors tower which was subsequently scaled down to 15 floors at a reduced contract sum of Kshs.4,095,862,434. The project has had a number of extensions, the last authorized one being 31 December, 2019.

As at the time of audit in May, 2020, eleven (11) certificates had been paid totalling Kshs.3,406,865,723.11 representing eighty-three percent (83%) of the total project cost. A physical inspection of the building on 07 May, 2020 indicated that the construction was approximately seventy percent (70%) done. During the exercise, the contractor was at early stages of laying floor tiles and roofing, with major interior works still outstanding.

The Management explained that Covid-19 pandemic and the resultant restrictions had adversely affected the contractors supply chain and hence the slow pace at which the project was being implemented. This was despite the fact that the completion date for the project had earlier been extended to 31 December, 2019. The period has since lapsed with the construction still in progress without an extension.

In addition, perusal of other relevant project documents revealed a claim of Kshs.871,697,124 by the contractor arising from idle stoppage of works. The financial claim remained outstanding as at the time of audit as Management and the Board of Trustees held the view that it is an independent process separate from completion of the construction works which would be dealt with as a final account issue. Further, the claim was going through various stages of vetting and approval before payment could be processed.

In the circumstances, it is not clear when the project will be completed and whether the public will get value for money on the investment.

2. Delay in Sale of Milimani Executive Apartments in Nairobi

Included under Note 29 to the financial statements on Investment Property are additions during the year amounting to Kshs.3,881,755,189 in respect of Milimani apartments project. The project comprises of one hundred and four (104) spacious apartments on Five Blocks A-E with initial estimated cost of Kshs.1,550,000,000. The contractor completed the project at a pre-measured works value of Kshs.1,692,262,919 and handed over the project on 9 April, 2019.

The Board approved the sale of the apartments categorized into 3-bedroom unit with a DSQ and a 3 bedroom without DSQ at Kshs.35,000,000 and Kshs 31,000,000 respectively. The expected total sales amounted to Kshs.3,600,000,000 at the time of hand-over. However, as at the time of the audit in April, 2020, total sales were Kshs.831,246,302 as follows:

Type	No. of Units	Initial Deposit of 10% (Kshs.)	Expected Amount (Kshs.)
House with DSQ	94	828,046,302	3,290,000,000
House Without DSQ	10	3,200,000	310,000,000
Total	104	831,246,302	3,600,000,000

Further, documentation and records provided revealed that nine (9) prospective house owners partially paid minimum ten percent (10%) amounting to Kshs.5,092,000 of the cost required. Besides, most of the houses were fully booked and the requisite deposit of ten percent (10%) of the selling price paid for at the completion date except the aforementioned prospective buyers. This was in contravention of the sale agreement which required payment of 10% deposit. Further, the partial payment may also have affected the Fund's cash flows and thus negatively impacted on service delivery.

It was however, noted that the progress in occupancy of the houses has been low with only twelve (12) or eleven percent (11%) buyers having fully paid and sixty-eight (68) or sixty-five percent (65%) having made partial payments. Out of the buyers who had paid the ten (10%) deposit at the completion date, seventeen (17) prospective buyers withdrew their interest and were refunded their deposit amounting to Kshs.94,950,000.

Management has indicated measures taken to enable prospective buyers to finance the remainder and vacant units at favourable terms, including advertisement in print media besides partnering with commercial banks on financing loans.

In the circumstances, it is not clear when the public will get value for money on the investment. The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Unremitted Members Contributions

Review of the members contributions status as at 30 June, 2019 revealed that contributions receivable estimated at Kshs.5,702,745,355.40 had been included in the financial statements under contingent assets. This comprised of mandatory contributions of Kshs.580,759,618.45 and penalties of Kshs.5,121,985,736.95.

Although the Management has indicated that recovery efforts are in progress, as at the time of audit in April, 2020 the contributions receivable of Kshs.5,813,336,648.95 was still outstanding and no satisfactory explanation was provided for non-recovery.

This was an indication of weak controls over recovery of unremitted contributions.

2. Ineffective Systems

Note 29 to the financial statements reflects Kshs.3,177,008,287 in respect of assets under construction out of which Kshs.167,945,837, Kshs.64,998,224 and Kshs.29,914,248 were for Social Security and Pensions Administration System (SSPAS) Reimplementation, Electronic Document and Records Management System (EDRMS) System and the SAP Additional modules respectively. The modules were meant for production of financial statements by the Fund. However, the system could not generate financial statements as expected of an end-to-end system. Failure by the system to independently generate financial statements has occasioned interventions through manually preparing the financial statements leading to numerous errors in the presented financial statements.

In addition, analysis of the expenditure schedules produced using the SAP system revealed that they do not include payee names making it difficult to relate the schedules generated against payment vouchers or files availed for audit verification.

In the circumstances, the reliance of the systems to conclusively generate results without manual interventions is in doubt.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330 The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Trustees

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL
Nairobi

24 June, 2021



PART II: FINANCIAL STATEMENTS


STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kes	2018 Kes
Dealings with Members			
Contributions Receivable	6	15,102,379,464	14,044,262,078
Benefits Payable	7	(4,939,110,256)	(3,788,852,985)
Net Surplus from dealings with members		10,163,269,208	10,255,409,092
RETURN ON INVESTMENTS			
Investment Income	8	18,288,282,158	17,659,476,325
Fair value gain on revaluation of Investments	9	(9,348,790,568)	2,864,581,640
Gain on realisation of investments	10	390,564,622	470,912,230
Investment Management Expenses	11	(404,106,053)	(396,336,810)
Net Investment Income		8,925,950,159	20,598,633,386
Other Income	12	55,743,772	66,435,127
Total Net Income		8,981,693,932	20,665,068,513
Less: Operating Cost			
Staff cost	13	4,105,211,249	3,818,034,559
General administrative cost	14	1,523,719,277	1,347,662,132
Provisions	15	138,431,395	8,014,377
Total operating cost		(5,767,361,921)	(5,173,711,067)
Increase in net assets for the year		13,377,601,219	25,746,766,538
As previously reported		221,729,634,489	196,574,470,103
Prior year adjustment		(36,432,620)	(591,602,152)
As restated		221,693,201,869	195,982,867,951
Net Assets as at 30 June		235,070,803,087	221,729,634,489

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kes	2018 Kes
ASSETS			
Cash and bank balances	16	419,376,662	1,271,066,588
Call and Fixed Deposits	17	9,659,178,400	5,637,577,681
Government Securities-(Treasury bills)	18	5,994,518,873	8,019,139,643
Government Securities-(Treasury bonds)	19	105,033,078,822	81,025,644,288
Corporate bonds	20	7,140,397,038	7,677,218,892
Accrued Income	21	6,187,626,209	4,895,881,467
Stores and Supplies	22	72,602,504	64,303,404
Receivables and Prepayments	23	3,564,032,511	3,350,806,705
Staff Car loans	24	267,988,749	281,623,421
TPS Loans	25	4,650,326,808	5,391,563,938
Long-term deposits	26	944,566,315	922,663,220
Quoted Stocks	27	52,750,355,185	65,392,554,087
Unquoted Stocks	28	1,679,927,974	1,676,393,760
Investment property	29	34,760,285,136	31,762,923,839
Assets under construction	31	3,177,008,287	6,203,801,502
Property, plant and equipment	30	728,596,061	451,619,842
		237,029,865,535	224,024,782,277
LIABILITIES			
Payables and accruals	32	(1,959,062,448)	(2,295,147,790)
NET ASSETS		235,070,803,087	221,729,634,489
REPRESENTED BY			
FUND BALANCE		235,070,803,087	221,729,634,489

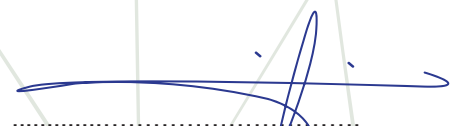
The financial statements set out on pages 52 to 96 were approved and authorised by the Board of Trustees on 24 September 2019. Signed on their behalf by:



CPA Evans Moturi
AG. MANAGER, FINANCE
ICPAK 5964



Dr. Anthony Omerikwa, MBS
Ag. CEO/Managing Trustee



Gen.(Rtd) Dr. Julius W. Karangi,
EGH, CBS DCO LOM 'ndc' 'psc' (K)
Chairman, Board of Trustees

Date: 22/06/2020

Date: 22/06/2020

Date: 22/06/2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kes	2018 Kes
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in assets	31	13,377,601,219	25,746,766,538
Adjustments:	31		
Depreciation on property, plant & equipment	15	154,930,951	129,083,923
Amortisation of intangible assets	10	52,181	-
Increase/(decrease) in provisions		130,417,018	(784,368,451)
Fair value gain/(loss) on revaluation		9,348,790,568	(2,864,581,640)
Operating surplus/(deficit) before working capital changes		23,011,791,937	22,226,900,370
Changes in Working Capital:			
Decrease/(increase) in inventories	22	(8,299,099)	(15,510,841)
Decrease/(increase) in debtors & prepayments	23	(213,225,806)	236,833,822
Decrease/(increase) in accrued income	20	(1,291,744,742)	2,539,379,304)
increase/(decrease) in payables and accruals	32	(336,085,343)	(332,567,366)
		(1,849,354,990)	(2,650,623,689)
Net cash flows generated from operating activities		21,162,436,947	19,576,276,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase/sale of equities	26	253,693,848	(9,928,022,543)
Purchase/sale or redemption of treasury bonds	19	(20,510,705,599)	(15,921,917,858)
Purchase/sale or redemption of treasury bills	18	2,024,620,771	(52,811,204)
Purchase/sale or redemption of corporate bills	20	718,638,028	1,548,855,500
Placement of deposits with financial institutions	17	(4,021,600,719)	5,868,630,272
Development of land and buildings	30	(441,445,982)	(653,748,948)
Receipts from TPS scheme	24	264,770,519	977,310,640
Purchase/sale of property, plant & equipment	31	(302,097,738)	(216,303,824)
Net cash flows from investing activities		(22,014,126,873)	(18,378,007,965)
Net increase/(decrease) in cash and cash equivalents		(851,689,926)	1,198,268,716
Cash and cash equivalents as at 1 July 2018			
Cash and cash equivalents as at 30 June 2019		1,271,066,588	72,797,873
		419,376,662	1,271,066,588

STATEMENT OF CHANGES IN ACCUMULATED MEMBER’S FUNDS AS AT 30 JUNE 2019

	Members' Funds Kes	Accumulated Reserves Kes	Total Kes
Balance as at 30 June 2016	151,018,651,371	21,067,697,685	172,086,349,056
Prior Year Adjustments	591,602,152	-	591,602,152
Net Increase/(Decrease) in Net Assets	9,885,860,827	14,010,648,094	23,896,508,921
Balance as at 30 June 2017	161,496,114,350	35,078,345,778	196,574,460,129
Correction of erroneous previous year contribution accrual	(591,602,152)	-	(591,602,152)
Net Increase/(Decrease) in Net Assets	10,255,409,092	15,491,367,420	25,746,776,512
Balance as at 30 June 2018	171,159,921,291	50,569,713,198	221,729,624,515
Prior year adjustment Impairment of Kitisuru Roads	-	(36,432,620)	(36,432,620)
Net Increase/(Decrease) in Net Assets	10,163,269,208	3,214,332,010	13,377,601,219
Balance as at 30 June 2019	181,323,190,499	53,747,612,589	235,070,803,087

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

Revenue:	Original budget 2018-2019 Kes	Adjustments 2018-2019 Kes	Final budget 2018-2019 Kes	Actual on comparable 2018-2019 Kes	Performance difference 2018-2019 Kes	%	Explanations
Contribution	18,086,016,000	-	18,086,016,000	15,102,379,464	(2,983,636,536)	(16)	Closure of factories and effect of draught on agricultural industries
Benefits	(5,065,000,000)	-	(5,065,000,000)	(4,939,110,256)	125,889,744	(2)	
Net Dealings	13,021,016,000	-	13,021,016,000	10,163,269,208	(2,857,746,792)	(22)	Closure of factories and effect of draught on agricultural industries
Dividend income	2,700,000,000	-	2,700,000,000	3,238,208,515	538,208,515	20	Declared special dividends.
Interest income	11,500,000,000	-	11,500,000,000	13,122,271,808	1,622,271,808	14	Increased investment in T. bonds.
Rent income	1,207,782,000	-	1,207,782,000	1,260,635,609	52,853,609	4	
TPS interest income	950,000,000	-	950,000,000	567,056,308	(382,943,692)	(40)	Early payment of TPS loans led to reduced interest income
Other investment income	30,000,000	-	30,000,000	100,109,918	70,109,918	234	Recovery of deposits in Chase bank and Imperial bank
Unrealised gain on investments	3,859,433,000	-	3,859,433,000	(9,348,790,568)	(13,208,223,568)	(342)	Poor run ant the NSE
Realised gain on investments	650,000,000	-	650,000,000	390,564,622	(259,435,378)	(40)	Reduced level of activity because market not conducive as anticipated
Other income	77,400,000	-	77,400,000	55,743,772	(21,656,228)	(28)	Delayed process of disposal of bonded motor vehicles.
Total Income	33,995,631,000	-	33,995,631,000	19,549,069,192	(14,446,561,808)	(42)	Caused by the general decline of equity prices in NSE
Expenses:							
Management investment expense	639,500,000	-	639,500,000	404,106,053	235,393,947	37	This is paid on the basis of portfolio performance, poor performance led to lower amounts claimable by our fund managers & custodians
Compensation of employees	4,273,260,000	-	4,273,260,000	4,105,211,249	168,048,751	4%	
Trustee' Emoluments	50,000,000	-	50,000,000	62,781,341	(12,781,341)	(26)	Asset verification and board trainings
Travelling Costs	157,250,000	-	157,250,000	176,112,103	(18,862,103)	(12)	This is due to increased visits to customers
Transport Costs	82,296,000	-	82,296,000	43,841,421	38,454,579	47	Low maintenance cost because the fleet is relatively new
Rent Expense	291,489,000	-	291,489,000	284,201,348	7,287,652	3	
Printing, Stationery and Photocopying	44,440,000	-	44,440,000	31,825,169	12,614,831	28	We have adopted Electronic Document Management system, which has reduced paperwork.
Postage, Telephone and Internet Expenses	222,375,000	-	222,375,000	79,156,395	143,218,605	64	Data for field officers was never bought, there was no downtime from internet service providers
Electricity, Water, Security and Conser-vancy	81,356,000	-	81,356,000	70,864,003	10,491,997	13	Implementation of austerity measures

Training Expenses	81,500,000	-	81,500,000	116,719,908	(35,219,908)	(43)	Trainings were rolled over into this year from the previous year
Repairs and Maintenance	74,350,000	-	74,350,000	176,861,951	(102,511,951)	(138)	Licenses are paid along calendar year, some had not fall due by year end, Acquired license for SAP GRC, IBM server SLA
Hospitality Material and services	5,980,000	-	5,980,000	1,944,666	4,035,334	67	Efficient use of cleaning agents / material
Consultancy and Professional Expense	20,000,000	-	20,000,000	27,808,377	(7,808,377)	(39)	Cost of some items turned out to be higher than anticipated
Legal Expense	80,000,000	-	80,000,000	24,347,278	55,652,722	70	Some anticipated cases were yet to be finalized by year-end.
Audit Fees	8,000,000	-	8,000,000	8,000,000	-	0	
SS Policy Development	50,000,000	-	50,000,000	6,806,337	43,193,663	86	Stakeholder arrangements had not materialized by year-end.
General Insurance	67,500,000	-	67,500,000	30,110,708	37,389,292	55	Recovery of billed insurance from TPS tenants and staff mortgage
Advertising and Publicity	91,000,000	-	91,000,000	48,911,309	42,088,691	46	Some advertising programmes did not take off.
Corporate Social Responsibility	32,500,000	-	32,500,000	22,499,420	10,000,580	31	Reduced number of qualifying proposals
Finance Expense	10,000,000	-	10,000,000	23,784,065	(13,784,065)	(138)	Bank charges were recognized after reconciliation
Project Claims	100,000,000	(98,000,000)	2,000,000	-	2,000,000	100	No project claims during the year
Other Administrative Expense	132,579,000	-	132,579,000	132,160,346	418,654	0	
Depreciation	126,689,000	-	126,689,000	154,983,132	(28,294,132)	(22)	Settlement of assets under construction: Servers, electronic shelves, generators, branch portioning
Provision	-	98,000,000	98,000,000	138,431,395	(40,431,395)	(41)	We provisioned for assets whose titles were revoked
Total Expenditure	6,722,064,000	-	6,722,064,000	6,171,467,974	550,596,026	8	
Surplus for the period	27,273,567,000	-	27,273,567,000	13,377,601,219	13,895,965,781	51	Poor performance at NSE and lower collection

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Social Security Fund is established by and derives its authority and accountability from National Social Security Fund Act, 2013. The NSSF is wholly owned by workers who are members and contributors to the Fund. The Fund is domiciled in Kenya and its principal activity is provision of social security to workers in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a fair value accounting basis except for the measurement of amounts of items of property, plant and equipment. Marketable securities and other financial instruments are measured at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 44.

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, the State Corporations Act 2015, Income Tax Act 2012 and the National Social Security Fund Act 2013, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Fund is the lessee. Based on the Trustees' assessment, right of use assets are of immaterial values and therefore there is no need to recognise them as per IFRS 16.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically consider

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

IFRIC 23: Uncertainty Over income tax treatments (Continued)

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

The Fund is Income Tax exempt under the Income Tax Act and therefore this standard is not applicable.

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met. The Fund does not deal in prepayable features with negative compensation.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the Fund applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an Fund obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the Fund originally recognised the transactions to which they are linked.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an Fund to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the Fund re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Trustees do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii) Early adoption of standards

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

The Fund did not early – adopt any new or amended standards in year 2018.

ii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund's activities as described below:-

i) Contributions from employers/employees - Comprises statutory and other payments due to NSSF under the National Social Security Fund Act, 2013 (I.e. contributions towards the Pension Scheme, Old and New Provident Funds. Statutory contributions are accounted for in the year they are due to the Fund while Voluntary contributions are accounted for in the year they are received.

ii) Interest income – comprises of interest receivable from bank deposits and investment in securities, and is recognized in Statement of Changes in Net Assets Available for Benefits on a time proportion basis using the effective interest rate method.

iii) Dividend income is recognized in the Statement of Changes in Net Assets Available for Benefits in the year in which the right to receive the payment is established.

iv) Rental income is recognized in the Statement of Changes in Net Assets Available for Benefits as it accrues using the effective lease agreements.

v) Other income is recognized as it accrues.

vi) Tenant Purchase Scheme and Loan Advances - accrue from financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides loans, money or services directly to debtors with no intention of trading the receivables. All loans and receivables fall under this category and are stated at amortized costs. Receivables which do not carry interest rate are stated at their invoice amount.

b) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in Statement of Changes in Net Assets Available for Benefits.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

ii) **Interest income** – comprises of interest receivable from bank deposits and investment in securities, and is recognized in Statement of Changes in Net Assets Available for Benefits on a time proportion basis using the effective interest rate method.

iii) **Dividend income** is recognized in the Statement of Changes in Net Assets Available for Benefits in the year in which the right to receive the payment is established.

iv) **Rental income** is recognized in the Statement of Changes in Net Assets Available for Benefits as it accrues using the effective lease agreements.

v) **Other income** is recognized as it accrues.

vi) **Tenant Purchase Scheme and Loan Advances** - accrue from financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides loans, money or services directly to debtors with no intention of trading the receivables. All loans and receivables fall under this category and are stated at amortized costs. Receivables which do not carry interest rate are stated at their invoice amount.

b) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in Statement of Changes in Net Assets Available for Benefits.

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual rates in use are:

Annual Rates	%
Buildings and civil works	Nil
Freehold Land and Buildings	Revaluation
Motor Vehicles, including motor cycles	20
Computers and related equipment	33.33
Office Furniture	10
Office Equipment	12.5
Fittings and Furnishings	20
Low Value Assets	100

Depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal on prorata basis. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

d) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use for a period of 3 years.

e) Amortization and impairment of intangible assets

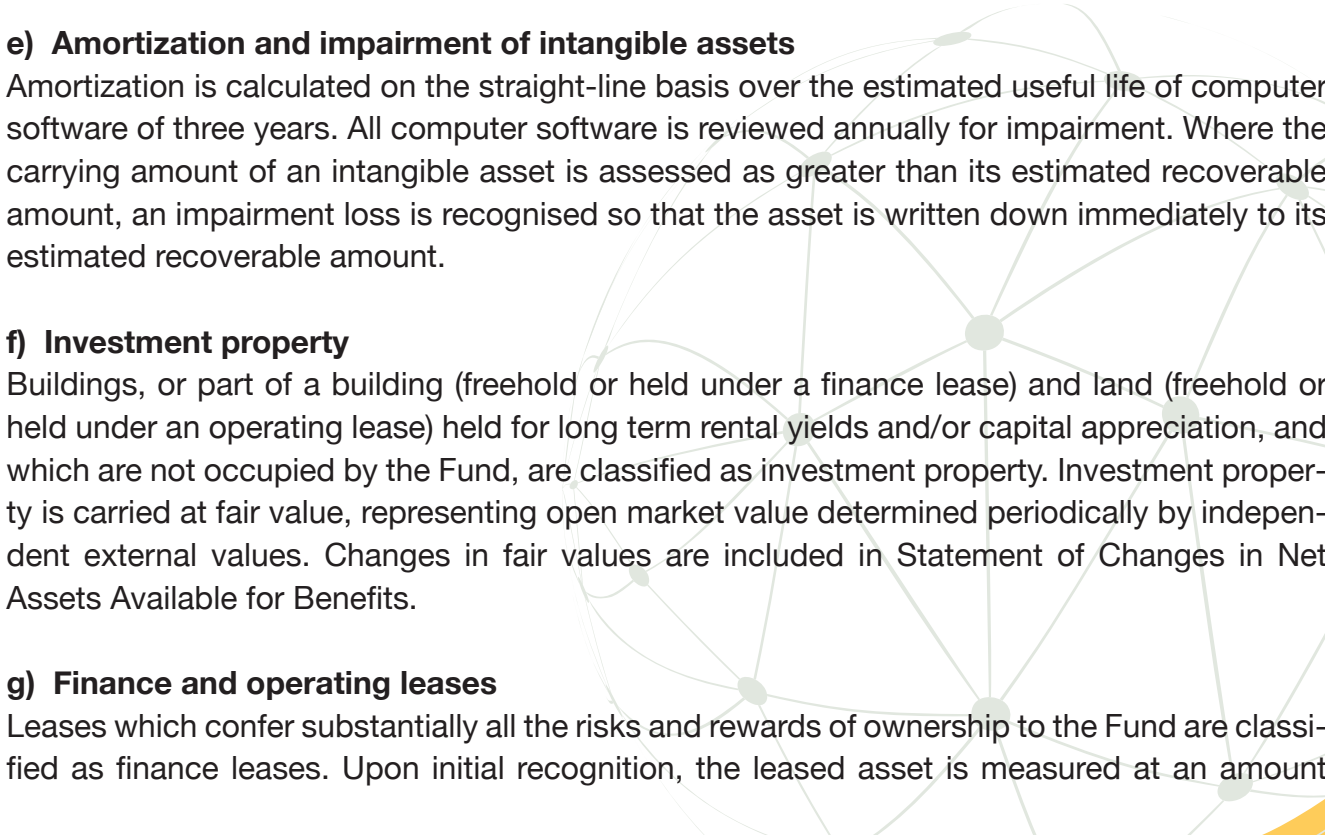
Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Fund, are classified as investment property. Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in Statement of Changes in Net Assets Available for Benefits.

g) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount



NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

h) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK), long-term infrastructure bonds, and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

i) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

j) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government controlled entities and reputable private entities.

k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises of purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

l) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Taxation (Continued)

taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Fund and the same taxation authority.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of 12 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these finan-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

p) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

q) Retirement benefit obligations

The Fund operates a defined contribution scheme for all full-time employees. The staff retirement pension scheme is administered independently by Zamara Actuaries, Administrators & Consultants Ltd and is funded by contributions from employees at 8% and employer at 16%. The Fund also contributes statutory National Social Security Fund (NSSF) deductions for its employees. This is a defined contribution scheme registered under the National Social Security Act, 2013. The Fund's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.360 per employee per month.

r) Actuarial Valuation

An actuarial valuation was carried out by Zamara Actuaries, Administrators & Consultants Limited in 2018 and a report issued on balances as at 30 June 2018. The valuation was done on an Attained Age Method. The actuarial report indicates that the value of liabilities of the scheme as at 30 June 2018 was Kes.211.09 billion compared to the value of assets amounting to Kes. 220.98 billion (Financial Statements) giving a surplus of Kes. 9.89 billion, a funding level of 104.68%.

s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Fund operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates pre-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

vailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

u) Budget information

The Fund's budget for FY 2018-2019 was approved by the Ministry of Labour and Social Security on recommendation by National Treasury on 22/06/2018. The Fund's budget and financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

v) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019. The preparation of the Fund's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

(y) Estimates and assumptions

The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(aa) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

(ab) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. CONTRIBUTIONS	2019 (Kes)	2018 (Kes)
Pension Contribution	13,846,883,983	13,104,130,590
Old provident	108,694,460	118,462,249
New Provident	507,996,777	452,575,584
Fines and penalties	526,886,258	354,396,177
Gross contribution for the year	14,990,461,477	14,029,564,600
Add: Accrued at end of the year	783,702,203	671,784,216
Less: Accrued at start of the year	- 671,784,216	- 657,086,739
Net contribution for the period	15,102,379,464	14,044,262,078

These amounts relate to contributions remitted to the Fund in respect of both provident and pension funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. BENEFITS	2019 (Kes)	2018 (Kes)
Age benefit	3,189,192,522	2,353,552,354
Survivors benefit	367,482,920	337,113,129
Invalidity benefit	17,680,343	14,810,600
Withdrawal benefit	1,344,614,667	1,063,640,727
Emigration benefit	16,967,304	16,446,176
Funeral grant	3,172,500	3,290,000
Net benefits for the period	4,939,110,256	3,788,852,985

A total of 84,620 benefit claims were processed and paid during the year. The amount reported combines the principal and interest components.

8. INVESTMENT INCOME	2019 (Kes)	2018 (Kes)
Interest Income (note 8a)	13,122,271,808	12,790,911,201
Dividend Income (note 8b)	3,238,208,515	2,951,441,870
Rent Income (note 8c)	1,104,457,237	1,066,580,753
Parking Fees (note 8d)	156,178,372	121,716,556
Interest on TPS loans (note 8e)	567,056,308	685,523,219
Other Investment Income (note 8f)	100,109,918	43,302,727
	18,288,282,158	17,659,476,326

Rent income has been presented differently from the previous years by separating parking fees from rent. In 2017/2018 financial year, rent item was presented as a total of Kes 1,188,297,308 now separated as rent Kes 1,066,580,753.

8a. INTEREST INCOME	2019 (Kes)	2018 (Kes)
Treasury bonds	10,602,481,615	9,421,866,527
Corporate bonds	939,722,452	1,149,755,233
Treasury bills	877,204,051	952,280,535
Call & Fixed deposits	702,863,691	1,267,008,907
	13,122,271,808	12,790,911,201

Increase in interest earned from treasury bonds is as a result of a 30% increase in investment in treasury bonds. The reduction in interest earned from corporate bonds and treasury bills is as a result of reduction of assets due to redemption on maturity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8b. DIVIDEND INCOME	2019 (Kes)	2018 (Kes)
Bamburi Cement Ltd Ord 5.00	298,810,594	231,080,910
Barclays Bank of Kenya Ltd Ord 0.50	138,850,461	159,865,725
British American Tobacco Kenya Ltd Ord 10.00	108,253,811	86,405,486
Stanbic Bank ord.5.00	12,398,376	13,803,918
East African Breweries Ltd Ord 2.00	210,996,832	193,771,680
Equity Bank Ltd Ord 0.50	255,027,338	216,969,654
Housing Finance Co.Kenya Ltd Ord 5.00	-	9,096,385
I&M Holdings Ltd Ord 1.00	3,750,240	3,365,600
KenolKobil Ltd Ord 0.05	10,802,916	12,899,970
Kenya Commercial Bank Ltd Ord 1.00	656,620,568	550,872,744
Kenya Power Ord 2.50	-	48,676,373
Kenya Power 4% Pref 20.00	2,840	1,420
Kenya Power 7% Pref 20.00	1,050	525
NIC Bank Ltd Ord 5.00	18,285,054	13,298,223
Safaricom Ltd Ord 0.05	1,041,633,390	950,797,490
The Co-operative Bank of Kenya Ltd Ord 1.00	143,082,859	110,115,167
Britam Ltd Ord 0.10	-	80,697,472
Diamond Trust Bank Kenya Ltd Ord 4.00	17,319,305	17,022,902
Jubilee Holdings Ltd Ord 5.00	4,165,071	3,767,427
Kenya Re Insurance Corporation Ltd Ord 2.50	14,201,784	17,479,119
KenGen Co. Ltd	101,377,863	-
Nation Media Group Ltd Ord. 2.50	42,871,339	85,788,932
Centum Investment Co Ltd Ord 0.50	7,062,960	8,419,560
Scangroup Ltd Ord 1.00	3,393,600	3,500,700
Stanbic Bank Uganda	916,402	-
Standard Chartered Bank Kenya Ltd Ord 5.00	95,945,281	106,722,343
UAP Holdings	1,901,382	-
Stanlib Fahari I-REIT	24,283,875	25,061,700
CRDB Bank Plc	639,126	-
Umeme Ltd	25,614,198	1,960,446
	3,238,208,515	2,951,441,870

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8c. RENT INCOME	2019 (Kes)	2018 (Kes)
SSH Nairobi	554,897,251	520,908,638
SSH Mombasa	94,680,696	88,111,592
Bruce House	175,635,068	157,156,373
View Park Towers	142,824,296	145,573,555
Hazina Towers	72,585,417	67,600,546
Hazina Trade Centre	50,735,305	74,172,642
Hazina South B	13,099,204	13,057,408
	1,104,457,237	1,066,580,753

There was a marginal increase in rent income of 4% due to suppressed market for lettable space.

8d. PARKING FEES	2019 (Kes)	2018 (Kes)
SSH Nairobi	44,433,250	43,243,500
SSH Mombasa	4,561,800	4,759,317
Bruce House	21,403,000	22,826,500
View Park Towers	6,669,667	6,870,000
Hazina Towers	6,699,000	6,897,000
Hazina Trade Centre	17,089,337	4,906,239
Kenyatta Avenue	55,322,318	32,214,000
	156,178,372	121,716,556

The 72% increase in parking fees earned from Kenyatta Avenue plot is as a result of resolution of a dispute involving contracted agents who operate the parking.

8e. INTEREST FROM TPS LOANS	2019 (Kes)	2018 (Kes)
Staff	61,021,317	65,868,233
Other Customers	506,034,991	619,654,986
	567,056,308	685,523,219

The reduction on interest earned from Tenant Purchase Scheme (TPS) of 17% is as a result of reduced TPS loans by 14% as a result of repayment mainly Nyayo Embakasi Estate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8f. OTHER INVESTMENT INCOME	2019 (Kes)	2018 (Kes)
Chase bank	52,970,671	-
Imperial bank	26,691,233	26,682,508
Bank balance interest	13,875,901	3,481,826
Other miscellaneous	6,572,113	13,138,392
	100,109,918	43,302,727

A total of **Kes 79,661,904** was recovered from the **Kes 329,500,000** fixed deposits held in the collapsed Chase bank and Imperial bank. A 100% provision against the assets was made in the financial statements reason why the recovery is reported as other investment income.

9. FAIR VALUE GAIN/LOSS ON REVALUATION	2019 (Kes)	2018 (Kes)
Corporate bonds	181,816,175	3,952,099
Treasury bonds	3,496,728,936	953,908,728
Quoted equities	(12,388,505,054)	1,136,920,814
Investment property	(638,830,625)	769,800,000
	(9,348,790,568)	2,864,581,640

During the year, the Nairobi Securities Exchange 20 share index dropped by 20% from 3273 to 2633. The drop in the market had a direct impact on the equity portfolio which dropped by 19% from Kes.65.39 billion to Kes.52.75billion. The Fund's assets are marked to market in accordance to IFRS with IFRS 13 and IAS 26. Being a long-term investor, the situation is expected to correct in the long term. The Fund has also increased it Fixed Income exposer to mitigate the equity fluctuation.

10. GAIN ON REALISATION OF INVESTMENTS	2019 (Kes)	2018 (Kes)
Corporate bonds	(14,840,616)	(30,199,613)
Treasury bonds	356,998,745	358,158,369
Quoted equities	48,406,493	142,953,473
	390,564,622	470,912,230

The negative performance is as a result of strategic disposal of poor performing securities.

11. INVESTMENT MANAGEMENT EXPENSE	2019 (Kes)	2018 (Kes)
Fund managers' fees	245,197,421	268,223,207
Custodian fees	67,595,863	57,686,088
Actuarial & investment management fees	35,589,133	30,089,075
Land rent & rates	35,479,990	26,538,440
Asset valuation expense	20,243,646	13,800,000
	404,106,053	396,336,810

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Investment management expense is a direct expense netted off from investment income when computing return on investment. The main driver is the level of investment assets and grows with the growth of assets. However, the Fund enjoys huge benefits of scale and the cost represents 0.17% of the net assets.

12. OTHER INCOME	2019 (Kes)	2018 (Kes)
Miscellaneous Income	15,700,698	20,286,118
Interest on staff loans	32,935,754	27,392,424
Fines and penalties	6,549,620	7,033,854
Miscellaneous expenses recovered	557,700	912,847
Reduction in Provision for leave pay expense	-	10,809,884
	55,743,772	66,435,127

Other income represents miscellaneous receipts earned by the Fund mainly from interest charged on staff loans, fines charged on customers who issue unpaid cheques and other miscellaneous charges and receipts.

13. STAFF COST	2019 (Kes)	2018 (Kes)
Salaries and Allowances	3,155,185,162	3,142,382,905
Pension and Gratuity	601,130,767	362,021,870
Medical Expenses	270,706,417	252,663,176
Staff Welfare	38,963,242	33,227,860
Insurance	39,225,661	27,738,749
	4,105,211,24	3,818,034,559

There was an overall increase of 8% on staff expense mainly due to a previously outstanding staff pension debt which was settled during the year and implementation of CBA and inflation adjustment on employee emoluments.

14. GENERAL ADMINISTRATIVE COSTS	2019 (Kes)	2018 (Kes)
Trustees' Emoluments	62,781,341	26,640,928
Travelling Costs	176,112,103	154,483,515
Transport Costs	43,841,421	39,700,654
Rent Expense	284,201,348	257,186,229
Printing, Stationery and Photocopying	31,825,169	51,079,599
Postage, Telephone and Internet Expenses	79,156,395	67,660,080
Electricity, Water, Security and Conservancy	70,864,003	71,513,081
Training Expenses	116,719,908	97,117,252

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Repairs and Maintenance	176,861,951	93,260,648
Hospitality Material and services	1,944,666	1,441,165
Consultancy and Professional Expense	27,808,377	14,987,645
Legal Expense	24,347,278	17,141,162
Audit Fees	8,000,000	7,400,000
SS Policy Development	6,806,337	2,250,982
General Insurance	30,110,708	30,813,782
Advertising and Publicity	48,911,309	33,954,014
Corporate Social Responsibility	22,499,420	29,130,565
Finance Cost	23,784,065	15,245,006
Project Claims	-	28,655,370
Other Administrative Expense	132,160,346	178,916,530
Depreciation	154,930,951	129,083,923
Amortisation	52,181	-
	1,523,719,277	1,347,662,132

There was an overall 13% increase in operating expense.

15. PROVISIONS/ADJUSTMENTS	2019 (Kes)	2018 (Kes)
L.R.209/11642-Upperhill-Nairobi	115,000,000	-
Increase in provision for doubtful debts	23,431,395	8,014,377
	138,431,395	8,014,377

Provision relates to the Upper Hill plot whose title was revoked by the National Land Commission and increase in amount of unpaid cheques for contributions.

16. CASH AND BANK BALANCES	2019 (Kes)	2018 (Kes)
Cash balances	992,127	1,437,181
Kenya Commercial Bank	132,576,603	737,343,384
National Bank of Kenya	(268,141,463)	(178,785,165)
Standard Chartered Bank	224,240,318	492,478,201
Cooperative Bank	329,709,077	218,592,987
	419,376,662	1,271,066,588

The amount represents bank balances at the closure of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. DEPOSITS	2019 (Kes)	2018 (Kes)
Call deposits (17a)	3,554,300,000	2,628,300,000
Fixed deposits (17b)	6,104,878,400	3,009,277,681
	9,659,178,40	5,637,577,681

The call and fixed deposits have been placed in a cross section of banks as represented on note 17a and 17b below.

17a. CALL DEPOSITS	2019 (Kes)	2018 (Kes)
Commercial Bank of Africa	136,000,000	65,500,000
Stanbic bank	529,800,000	124,500,000
Cooperative bank	588,500,000	81,900,000
Equity bank	-	24,800,000
Kenya Commercial bank	-	100,000,000
National bank	2,000,000,000	2,000,000,000
NIC bank	300,000,000	201,600,000
HFC bank	-	30,000,000
	3,554,300,000	2,628,300,000

17b. FIXED DEPOSITS (Held to Maturity)	2019 (Kes)	2018 (Kes)
Commercial Bank of Africa	-	59,971,496
Cooperative bank	1,415,177,800	857,000,000
Diamond Trust Bank	-	450,800,000
Equity bank	1,722,500,000	576,406,185
Housing Finance	-	100,000,000
SBM bank	26,250,000	-
Kenya Commercial Bank	1,135,314,600	502,000,000
NIC bank	670,400,000	438,600,000
Stanbic Bank	1,135,236,000	24,500,000
Chase bank	17,029,329	70,000,000
Imperial bank	206,126,260	259,500,000
	6,328,033,988	3,338,777,681
Less: Provision for doubtful deposits	(223,155,588)	(329,500,000)
	6,104,878,400	3,009,277,681

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The provision of Kes 223,155,588 relates to deposits held in Imperial Bank of Kes 259,500,000 and Chase Bank Kes 70,000,000. These banks were put under statutory management by Central Bank of Kenya (CBK). To date 76% or Kes 52, 970,671 held in Chase Bank and 21% or Kes 53,373,741 held in Imperial Bank has since been recovered.

Maturity analysis of fixed deposits	2019 (Kes)	2018 (Kes)
Already due	223,155,588	329,500,000
Maturing within 90 days	5,437,378,400	2,359,277,681
Maturing over 90 days	667,500,000	650,000,000
	6,328,033,988	3,338,777,681

All fixed deposits will mature within 12 months.

18. TREASURY BILLS (held to maturity)	2019 (Kes)	2018 (Kes)
Balance at the beginning of the year	8,019,139,643	7,975,752,827
Prior year adjustment	-	(9,424,387)
Additions	8,098,460,160	11,662,254,980
Proceeds on maturity/disposals	(10,123,080,930)	(11,609,443,777)
Balance at the end of the year	5,994,518,873	8,019,139,643
Maturity Analysis:		
Between 0 and 90 days	2,661,494,734	3,531,148,580
Between 91 and 120 days	3,093,160,639	1,839,397,964
Between 121 and 180 days	239,863,500	329,934,500
Between 181 and 365 days		2,318,658,600
	5,994,518,873	8,019,139,643

The effective weighted interest rate on treasury bills was 8.9% for 2019.

19. TREASURY BONDS (available for sale)	2019 (Kes)	2018 (Kes)
Balance at the beginning of the year	81,025,644,288	64,149,817,702
Additions	46,017,652,171	37,214,234,946
Proceeds from disposal/redemption	(25,506,946,573)	(21,292,317,088)
Add: Fair value gain/(loss)	3,496,728,936	953,908,728
	105,033,078,822	81,025,644,288

Treasury bonds represent 44% of the Fund's total assets and earns the 58% of total investment income. The Fund increased its Fixed Income exposure to mitigate the equity fluctuation that eroded value because of a poor run at the Nairobi Securities Exchange.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. CORPORATE BONDS	2019 (Kes)	2018 (Kes)
Balance at the beginning of the year	8,344,118,892	9,889,022,293
Additions	166,143,245	469,300,000
Proceeds from disposal/redemption	(884,781,274)	(2,018,155,500)
Add: Fair value gain/(loss)	181,816,175	3,952,099
	7,807,297,038	8,344,118,892
Less: Provision for doubtful bonds	(666,900,000)	(666,900,000)
	7,140,397,038	7,677,218,892

Provision relates to Imperial bank bond. Imperial bank was put under statutory management by CBK.

21. ACCRUED INCOME	2019 (Kes)	2018 (Kes)
Accrued Dividend Income (21 a)	1,824,251,537	1,153,641,240
Accrued Interest Income (21 b)	4,363,374,672	3,742,240,228
	6,187,626,209	4,895,881,467

Accrued dividend represents 29% and interest 71% of total accrued income. The Fund anticipates to receive all accrued income within six months. The sources of accrued dividend is as tabulated on note 21a below.

21a. ACCRUED DIVIDEND INCOME	2019 (Kes)	2018 (Kes)
Bamburi Cement	240,641,054	87,254,310
Kenya Commercial Bank	469,086,120	375,068,896
Jubilee Holdings Limited	3,672,888	3,639,816
Nation Media Group	30,009,939	64,307,012
Standard Chartered Bank	5,704,940	5,704,940
CRDB Bank Plc	401,624	-
KenolKobil Ltd	-	9,002,430
Safaricom Ltd	1,025,640,820	576,050,742
Stanbic Bank Uganda	526,345	-
Diamond Trust Bank	17,319,305	1,122,225
Kenya Re-insurance Corporation	15,252,089	17,479,119
CFC Stanbic Holdings	-	8,550,604
Umeme	15,996,413	1,960,446
Scangroup	2,142,750	3,500,700
	1,826,394,287	1,153,641,240
Less: Adjustment of Scangroup dividend	2,142,750	-
	1,824,251,537	1,153,641,240

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21b. ACCRUED INTEREST INCOME	2019 (Kes)	2018 (Kes)
Treasury bonds	2,671,277,966	2,294,276,535
Corporate bonds	193,188,884	218,892,797
Treasury bills	412,373,387	390,327,187
Call and Fixed deposits	1,086,534,435	838,743,709
	4,363,374,672	3,742,240,228

71% accrued interest income is from government securities and 25% from call and fixed deposits presenting a very low risk of recovery.

22. STORES AND SUPPLIES	2019 (Kes)	2018 (Kes)
General office stationery	60,019,106	52,088,124
Office and computer accessories	8,971,430	9,036,048
Tools and electrical accessories	804,400	908,053
Safety materials and clothing	101,001	83,737
Hospitality materials	2,706,567	2,187,442
	72,602,504	64,303,404

Stores and supplies represent the value of items of stationery, consumables and other materials held in the stores as at 30 June 2019. A stock take to ascertain the value is carried at the end of every financial year and reconciliation carried out.

23. RECEIVABLES AND PREPAYMENTS	2019 (Kes)	2018 (Kes)
Rent debtors	632,588,301	344,234,064
TPS debtors	648,971,412	657,094,747
Deposits and advances	705,112,323	988,777,093
Prepayments	150,000	150,000
Contributions debtors (23b)	111,917,987	14,697,477
Taxes receivables	923,160,277	923,160,277
Unpaid Cheques	59,547,815	45,642,332
ECASSA debtors	9,211,610	9,211,610
Mutula Kilonzo	5,015,000	5,015,000
Commutated pension	2,645,193	2,645,193
Staff mortgage loans	6,917,601	6,917,601
Other loans	2,482,488	2,938,718
Advances and imprest	21,447,047	20,368,922
Staff Car loan debtors	28,817,268	24,842,495

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RECEIVABLES AND PREPAYMENTS (Continued)

	2019 (Kes)	2018 (Kes)
Lloyd Masika Ltd		
City Council of Nairobi	4,787,000	4,787,000
Staff pension debtor	2,474,000	2,474,000
Service Charge Debtors	4,587,969	4,587,969
Other Debtors	482,613,355	360,392,149
	4,452	-
Less: Provision for Bad Debts:	3,652,451,097	3,417,936,647
Prepayments		
Commuted pension	150,000	-
Staff pension debtor	2,645,193	-
ECASSA debtors	4,587,969	-
City Council of Nairobi	9,211,610	9,211,610
Mutula Kilonzo	2,474,000	2,474,000
Lloyd Masika Ltd	5,015,000	5,015,000
Bounces cheques	4,787,000	4,787,000
Total Provisions	59,547,815	45,642,332
Net Receivables and Prepayments	88,418,586	67,129,942
	3,564,032,511	3,350,806,705

The provision relates to long outstanding items whose recoverability has been judged to be doubtful. Effort to recover is ongoing but the provision is to ensure that the financial statements do not overstate the financial position of the Fund.

23a. CONTRIBUTION DEBTORS	2019 (Kes)	2018 (Kes)
Outstanding for less than 30 days	783,702,203	671,784,216
Less: Accruals at start of the year	(671,784,216)	(657,086,739)
Outstanding for less than 30 days	111,917,987	14,697,477
Outstanding for more than 30 days previous year	-	-
	111,917,987	14,697,477

Contribution debtors relates to contributions received or accrued 15 days after the close of a financial year but adjusted for timing differences. Due date for contribution is 15th of the subsequent month after payroll deduction which crosses over after year end closure.

23a. TAX RECEIVABLE	2019 (Kes)	2018 (Kes)
Tax refund due from KRA (1996,1997)	904,903,717	904,903,717
Other tax receivable	18,256,560	18,256,560
Total Outstanding	923,160,277	923,160,277

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RECEIVABLES AND PREPAYMENTS (Continued)

Out of the tax receivable of Kes 923,160,277, Kes 904,903,717 relates to an income tax return of Kes 1,067,606,204 filed in 1996 later established that an amount of Kes 497,201,898 was overpaid and a further Kes 411,646,389 income tax inadvertently paid to KRA in 1997 when the Fund had become income tax exempt in accordance with Section 45 of the First schedule of Income Tax Act Cap 470 which came into effect on 18 June 1996. The incidental refund of the same has remained outstanding and in 2018/2019 financial year, the same continues to be recognised as a debt.

The summary of Kes 904,903,717 is as follows:-

Year	Amount (Kes)	Comment
1996	493,257,328	Overpayment based on draft accounts
1997	411,646,389	Overpaid based on the Finance Bill 1996 which was different from Finance Act 1996. KRA is yet to refund incompliance to Section 90 (1)

The amount of Kes 18,256,560 relates to Kes 11,761,408 withholding tax on interest withheld by various banks and Kes 6,494,870 low interest tax.

23c. SERVICE CHARGE DEBTORS	2019 (Kes)	2018 (Kes)
Opening	360,392,149	361,271,230
Increase in the year	122,221,205	-
Decrease in the year	-	(386,216)
Prior year adjustment	-	(492,865)
	482,613,355	360,392,149

Service charge debtors relate to amounts incurred to provide services to tenants to be recovered from future service charge after service charge audit.

24. STAFF LOANS	2019 (Kes)	2018 (Kes)
Staff Car loans	267,988,749	281,623,421
	267,988,749	281,623,421

The Fund operates internally a staff car loan scheme at 4% interest repayable in 6 years. The amount relates to the outstanding principal amounts. Interest charged is recognised under other income.

25. TPS LOANS	2019 (Kes)	2018 (Kes)
TPS Loans-held by NSSF Employees	1,055,508,069	1,154,449,718
TPS Loans-held by Public	3,594,818,739	4,237,114,220
	4,650,326,808	5,391,563,938

Reduction of 14% in TPS loans is due to early repayment by home owners.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. LONGTERM DEPOSITS	2019 (Kes)	2018 (Kes)
Housing Finance	508,515,807	491,629,852
KCB (Mortgage Security dep. & Revolving Funds)	73,643,862	73,643,862
National Bank of Kenya	362,406,645	357,389,506
	944,566,315	922,663,220

Long-term deposits are made up of staff mortgage security deposits and balances of mortgage revolving funds bank accounts. The Fund has a staff mortgage scheme advanced at 5% interest to staff. All cadres of staff enjoy the facility according to the Human Resource Policy.

27. QUOTED EQUITIES	2019 (Kes)	2018 (Kes)
Balance at beginning of the year	65,392,554,087	53,572,123,661
Purchases	1,504,974,310	12,362,740,635
Bonus Shares	-	755,487,070
Sales	(1,758,668,158)	(2,434,718,092)
Less: Fair Value gain/(loss) on valuation	(12,388,505,054)	1,136,920,814
Balance at end of the year	52,750,355,185	65,392,554,087

The Kes 12,388,505,054 billion is as a result of a slump of equity prices at the Nairobi Securities exchange reflected on the fall of the NSE 20 share index equity market dropped by 20% from 3273 to 2633. The drop in the market had a direct impact on the Fund's equity portfolio which dropped by 19% from Kes.65.39 billion to Kes.52.75 billion. Being a long term investor, short term price fluctuation will be corrected over time. The Fund has mitigated the equity fluctuation by increased investment in government securities.

28. QUOTED EQUITIES	2019 (Kes)	2018 (Kes)
Consolidated Bank Ltd		
i. 8,050,000 4% of Kes. 20 Cum preference shares	161,000,000	161,000,000
ii. 2,225,000 Ordinary shares of Kes. 20	86,694,264	86,694,264
UAP Holdings Ltd	249,987,461	249,987,000
Fanisi Fund II 35,910.26	7,246,249	3,712,496
235,000,0000 National Bank Non-cumulative preference shares	1,175,000,000	1,175,000,000
	1,679,927,974	1,676,393,760

On 16th August 2019, National Bank of Kenya acquired by KCB PLC 100% where one NBK cumulative preference share was converted into one KCB PLC ordinary share and ten NBK ordinary share converted into one KCB PLC ordinary share. In total, NSSF was allocated 8272,500 KCB PLC shares now valued at market prices traded at Nairobi Securities Exchange.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. INVESTMENT PROPERTY	2019 (Kes)	2018 (Kes)
Opening balance	31,922,923,839	31,153,123,839
Additions during the year	3,881,755,189	-
Reduction/disposal during the year	(62,700,000)	-
Gain/(loss) on revaluation	(638,830,625)	769,800,000
Transfer to Asset under Construction	(67,863,267)	-
	35,035,285,136	31,922,923,839
Less: Impairment	(275,000,000)	(160,000,000)
	34,760,285,136	31,762,923,839

Additions during the year relate to Milimani Executive Apartments. Disposed investment property relates to sale of houses in Nyayo Embakasi. Impairment relates to Forest Edge plot and Upper Hill Plot whose title was revoked by the National Land Commission.

30. ASSETS UNDER CONSTRUCTION	2019 (Kes)	2018 (Kes)
Mavoko Project	1,805,621	1,805,621
Tassia Scheme	105,158,476	37,295,209
Parking Silo	-	764,813,945
Hazina Trade Centre	2,480,782,310	2,039,836,328
Kitisuru Roads	36,432,620	36,432,620
Milimani Flats	-	2,564,664,264
Field Office Refurbishment	36,425,441	91,090,759
Nyayo Embakasi	277,151,628	276,651,628
SSH Mombasa Refurbishment	-	53,456,538
SSH Block C Refurbishment	-	75,824,042
Hazina Estate South B	-	3,685,200
Viewpark Towers Roof Repairs	-	15,697,661
Hazina Towers Repairs	-	21,921,425
SPSS Software	-	1,878,520
SSPAS Reimplementation	167,945,837	149,897,557
Electronic Shelves	-	57,308,640
EDRMS System	64,998,224	-
SAP Additional Modules	29,914,248	-
Bamburi Plot	197,000	197,000
Mavoko Plot	12,629,502	11,344,545
Gross Amount	3,213,440,907	6,203,801,502
Less: Impairment of Kitisuru Roads	36,432,620	-
Net Amount	3,177,008,287	6,203,801,502

The change is due to settlement of assets under construction to complete asset now listed under investment property and property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE 2018-2019 FY

	Motor Vehicle Kes	ICT Kes	Furniture Kes	Equipment Kes	Fittings Kes	Software Kes	Fittings Kes
Cost/Valuation							
Opening carrying value as at 1st July 2018	539,456,347	1,349,995,185	291,245,659	359,507,988	47,343,882	568,490,361	3,156,039,421
Additions During the year	-	266,651,362	16,513,324	18,855,692	77,360	-	302,097,738
Transfer from assets under construction	-	-	-	57,308,640	70,684,300	1,878,520	129,871,460
Disposal	-	-	-	-	-	-	-
Reclassification to Low asset value	-	-	-	-	-	-	-
TOTALS (30th June 2019)	539,456,347	1,616,646,547	307,758,983	435,672,319	118,105,542	570,368,881	3,588,008,619
Depreciation							
As at 1st July 2018	389,623,928	1,242,718,638	190,024,483	269,635,594	43,936,421	568,490,361	2,704,429,425
Disposal	-	-	-	-	-	-	-
Charge for the year	54,451,009	59,719,064	19,219,419	18,911,927	2,629,533	52,181	154,983,132
TOTALS(30th June 2019)	444,074,938	1,302,437,701	209,243,902	288,547,521	46,565,954	568,542,542	2,859,412,558
NBV As at 1st July 2018	149,832,419	107,276,548	101,226,569	89,876,846	3,407,460	-	451,619,842
NBV As at 30 June 2019	95,381,409	314,208,846	98,515,081	147,124,798	71,539,588	1,826,339	728,596,061

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. PAYABLES AND ACCRUALS	2019 (Kes)	2018 (Kes)
Payables due to Vendors	198,370,872	392,943,345
House Purchase deposits	694,191,608	745,477,656
Tassia infrastructure deposits	487,878,461	464,931,585
Sundry creditors and accruals (note 32a)	267,892,930	348,464,386
Statutory deductions	4,660,068	34,512,649
Returned benefits	269,378,392	272,128,053
Provision for leave pay and gratuity (note 32b)	36,690,116	36,690,116
	1,959,062,448	2,295,147,790

32a. Analysis of Sundry Creditors and Accruals	2019 (Kes)	2018 (Kes)
Tax Payable	66,840,970	72,587,260
Plot sale deposit & Infrastructure	-	10,341,600
Rental deposits	191,268,342	177,612,076
Provision for audit fees	8,000,000	7,400,000
Prepaid rent	-	77,029,313
TPS Sundry Creditors	1,783,617	3,491,617
Accruals	-	2,520
	267,892,930	348,464,386

32b.	2019 (Kes)	2018 (Kes)
Provision for leave pay and gratuity	36,690,116	47,500,000
Reduction in Provision leave pay	-	(10,809,884)
	36,690,116	36,690,116

33. CORPORATE BONDS	2019 (Kes)	2018 (Kes)
ABC Bank -Fixed medium term note	100,000,000	100,000,000
EABL-FXD01/2015/3 T1	877,925,369	705,042,983
EABL-FXD 02/2017/005	824,128,411	791,975,044
Kengen-Infrastructure bond	58,087,222	172,567,039
Housing Finance-FXD 2012/7yr bond 2nd Tranche	260,588,671	259,354,953
Consolidated bank- FXD(SN)/2012/7Yr	377,476,525	384,874,105
Consolidated bank- FXD(SBN)/2012/7Yr	10,000,000	20,000,000
Shelter afrique-FXD 1/13/05Yr	-	53,955,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. CORPORATE BONDS (Continued)

I&M-01/13/5.25	-	384,991,530
Britam-1/2014/5 (TRANCH 1)	-	313,089,146
UAP-1/2014/5YR	81,542,355	81,135,042
NIC bank-Medium term note	1,016,926,780	1,008,449,696
CIC Insurance Group Ltd-Medium term note	883,548,309	872,069,713
CBA Bank- Fixed mediam term note	1,217,494,831	1,175,216,478
FXDCHASE2015	534,700,000	534,700,000
CNTB.BD.08.06.20/13	105,147,165	105,147,165
Centum-Equity linked bond	156,419,200	156,419,200
CFC Stanbic-Multicurrency medium term note	665,064,674	639,178,286
RealPeople-5YR fixed bullet note	183,693,405	165,375,000
FM -FXD 5.5YR BOND	322,354,121	288,378,515
Imperial Bank- 5.25YR FXD BOND	132,200,000	132,200,000
	7,807,297,038	8,344,118,892

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34.

Number of shares at 30.06.2018	Additions	Bonus	Disposals	Number of Shares as 30.6.2019	Price	Description	Market value as at 30.06.2018 Kes	Additions (Purchases) Kes	Disposal Proceeds Kes	Market gain/(loss) Kes	Market value as at 30.06.2019 Kes
97,135,746	-	-	-	97,135,746	3.89	Kenya Power Ordinary Shares	665,379,860	-	-	- 287,521,808	377,858,052
3,550	-	-	-	3,550	5.00	Kenya Power Cum Preference Shares	17,750	-	-	-	17,750
750	-	-	-	750	6.00	Kenya Power Cum Preference Shares	4,500	-	-	-	4,500
26,374,724	300,000	-	-	26,674,724	199.75	East African Breweries Ltd	5,749,689,832	61,811,913	-	- 483,225,626	5,328,276,119
3,175,136	-	-	-	2,477,936	500.00	British American Tobacco (K) Ltd	1,905,081,600	-	360,691,419	- 305,422,181	1,238,968,000
253,444,655	4,747,079	-	697,200	258,191,734	5.94	Kengen Company Ltd	1,761,440,352	28,578,365	-	- 256,359,817	1,533,658,900
58,169,540	523,400	-	-	58,692,940	113.25	Bamburi Cement Co. Ltd	10,412,347,660	62,297,904	-	- 3,827,670,109	6,646,975,455
24,300,000	-	-	-	24,300,000	16.00	E.A. Portland Cement Ltd	468,990,000	-	-	- 80,190,000	388,800,000
187,534,448	100,000	-	406,100	187,228,348	38.25	Kenya Commercial Bank Ltd	8,673,468,220	4,400,462	16,205,054	- 1,500,179,317	7,161,484,311
28,588,639	-	-	-	28,588,639	4.01	Housing Finance Group	243,003,433	-	-	- 128,362,990	114,640,443
2,838,776	-	-	-	2,838,776	3.07	Sameer Africa Ltd	7,664,695	-	-	- 1,050,347	8,715,042
162,802,750	-	-	-	162,802,750	4.14	National Bank of Kenya Ltd	1,009,377,050	-	-	- 335,373,665	674,003,385
126,227,708	-	-	-	126,227,708	10.45	Barclays Bank of Kenya Ltd	1,438,995,871	-	-	- 119,916,323	1,319,079,549
5,064,018	121,100	-	-	5,185,118	194.25	Standard Chartered Bank Kenya Ltd	1,002,675,564	23,603,839	-	- 19,070,231	1,007,209,172
8,574,268	-	-	-	8,574,268	49.00	Nation Media Group Ltd	771,684,120	-	-	- 351,544,988	420,139,132
2,957,500	-	-	-	2,957,500	5.55	Athi River Mining Ltd	9,020,375	-	-	- 7,393,750	16,414,125
21,848,899	-	7,282,966	-	29,131,865	3.76	Kenya Re Insurance Corporation Ltd	349,582,384	-	-	- 240,046,572	109,535,812
230,564,205	-	-	-	230,564,205	8.20	Britam (K) Ltd	3,366,237,393	-	-	- 1,475,610,912	1,890,626,481
535,721,193	29,000,600	-	16,250,766	548,471,027	28.10	Safaricom Limited	15,803,775,194	764,489,117	432,369,537	- 723,858,915	15,412,035,859
459,111	-	-	-	459,111	399.75	Jubilee Holdings	231,851,055	-	-	- 48,321,433	183,529,622
2,137,651	-	-	-	2,137,651	99.00	Stanbic Bank	195,595,067	-	-	- 16,032,383	211,627,449
5,885,800	-	-	-	5,885,800	31.40	Centum Investment Co. Ltd	217,774,600	-	-	- 32,960,480	184,814,120
1,810,600	-	-	1,760,600	50,000	11.05	Scangroup Ltd	28,064,300	-	23,256,931	- 552,500	552,500
138,932,860	4,150,000	-	800,000	142,282,860	12.00	The Cooperative Bank of Kenya Ltd	2,431,325,050	64,937,139	9,596,752	- 779,271,117	1,707,394,320
14,628,045	-	-	-	14,628,045	30.60	NIC Bank Ltd	519,295,608	-	-	- 71,677,422	447,618,186
120,113,669	9,050,000	-	927,000	128,236,669	38.95	Equity Bank Ltd	5,555,257,191	381,673,312	36,761,112	- 905,351,133	4,994,818,258
6,547,271	114,000	-	-	6,661,271	117.75	Diamond Trust Bank Kenya Ltd	1,302,906,929	14,027,613	-	- 532,569,882	784,364,660
9,840,200	-	-	4,834,465	5,005,735	8.31	Ememe Ltd-Uganda	76,922,438	-	39,257,202	- 3,910,747	41,575,983
18,940,581	-	-	3,512,600	15,427,981	8.32	Ememe Ltd-Kenya	159,100,880	-	19,013,852	- 11,726,226	128,360,802
32,378,500	-	-	-	32,378,500	9.20	Stanlib Fahari I-REIT	365,877,050	-	-	- 67,994,850	297,882,200
30,008,100	5,710,000	-	35,718,100	-	-	KenolKobil Ltd	543,146,610	99,154,647	821,516,300	179,215,043	-
961,600	-	961,600	-	1,923,200	55.00	I&M Holdings Ltd	110,584,000	-	-	- 4,808,000	105,776,000
1,140,000	-	-	-	1,140,000	4.89	CRDB Bank PLC (TZ)	8,079,146	-	-	- 2,508,958	5,570,188
10,000,000	-	-	-	10,000,000	0.80	Stanlib Uganda	8,338,310	-	-	- 309,500	8,028,810
2,169,110,494	53,816,179	8,244,566	64,906,831	2,166,284,408			65,392,554,087	1,504,974,310	1,758,668,158	- 12,388,505,054	52,750,355,185

35. INVESTMENT PROPERTY						
	Fair value 30.06.2019 (Kes)	Additions (Kes)	Disposal Proceeds (Kes)	Gain/(loss) on disposal (Kes)	Fair value adjustments (Kes)	Balance 30.06.2018 (Kes)
a) Developed Property						
Social Security House Nairobi L.R. No: 209/13920	8,568,000,000	896,838,476	-	-	- 798,838,476	8,470,000,000
Social Security House Mombasa L.R. No: Block XXV/123	1,500,000,000	54,951,703	-	-	- 54,951,703	1,500,000,000
Bruce House L.R. 209/6776 (l.R. No: 21769)	2,900,000,000	-	-	-	-	2,870,000,000
Hazina Trade Centre L.R. No. 209/6708 (l.R.No.21457)	3,223,000,000	-	-	-	30,000,000	3,185,000,000
View Park Towers L.R.No: 209/8595 (l.R.No: 29601)	2,530,000,000	-	-	-	38,000,000	2,504,000,000
Hazina Towers L.R.No: 209/10567(l.R.No:43170)	1,560,000,000	20,821,936	-	-	5,178,064	1,537,000,000
Hazina South B L.R. No: 92/1598, 1599, 1600	357,400,000	23,833,310	-	-	- 833,310	351,100,000
Hazina Plaza- Polana Mombasa L.R. MSA/Block XX/328&329	530,000,000	3,685,200	-	-	2,614,800	520,000,000
Kisumu Estate-Kisumu L.R. No. Kisumu/Mun/Block 8/258	220,000,000	-	-	-	10,000,000	220,000,000
Milimani Executive Apartments	2,881,624,564	-	-	-	-	-
Nyayo Estate Embakasi	64,995,787	2,881,624,564	62,700,000	-	-	127,695,787
Sub-total	24,335,020,351	3,881,755,189	62,700,000	-	- 768,830,625	21,284,795,787
b) Undeveloped Land						
Kenyatta Avenue Plots L.R. No: 209/11331,11412,12287,12219,12220	4,000,000,000	-	-	-	45,000,000	3,955,000,000
L.R. 20694-Mavoko-Sabaki	4,215,000,000	-	-	-	55,000,000	4,160,000,000
Bamburi Plots L.R. No: MN/I/2535,2537,2539,2540	1,125,000,000	-	-	-	15,000,000	1,110,000,000
Mtwapa Plot Jamboree L.R. NoL.R. MSA/MN/982-Mombasa	640,000,000	-	-	-	10,000,000	630,000,000
L.R. 20589-Makutano Junction	425,000,000	-	-	-	5,000,000	420,000,000
Forest Edge	160,000,000	-	-	-	-	160,000,000
L.R.209/11642-Upperhill-Nairobi	115,000,000	-	-	-	-	115,000,000
Tassia Estate	20,264,784	-	-	-	-	20,264,784
Tassia Infrastructure	-	-	-	-	-	67,863,267
Sub-total	10,700,264,784	-	-	-	-	10,638,923,839
Total Investment Property	35,035,285,136	3,881,755,189	62,700,000	-	- 638,830,625	31,922,923,839
Less: Provision for Impairment	115,000,000	-	-	-	-	-
L.R.209/11642-Upperhill-Nairobi	160,000,000	-	-	-	-	160,000,000
Forest Edge	275,000,000	-	-	-	-	160,000,000
Total provision for impairment	34,760,285,136	-	-	-	-	31,762,923,839
Net Investment Property		3,881,755,189	62,700,000	-	- 638,830,625	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. Taxation

According to Section 45 of the First schedule of Income Tax Act Cap 470 effective 18 June 1996, the Fund is exempted from taxation. According to Income Tax (National Social Security Fund (Exemption) Rules 2002, effective 1 July 2002 the Fund should comply with certain regulations for it to remain exempted.

37. Compliance with retirement benefits act

In compliance with Retirement Benefits Act, NSSF maintains employer contribution clearing accounts where total contributions are posted from employers to the credit of member accounts for benefits payment upon qualification as per the Act. During the year, the contributions in transit balance reduced from Kes.663 Million as at 30 June 2018 to Kes.290 Million as at 30 June 2019.

38. Basis of non-consolidation of interest in associate

The Financial Statements of NSSF are prepared in accordance with Section 5 of the NSSF Act, of 2013. The Section requires NSSF statement of net assets (balance sheet) to show in details the assets and liabilities of the Fund. Although NSSF owns 48.05% of ordinary shares and 235 million non-cumulative preference shares in National Bank of Kenya Limited (NBK), the operations of the bank have not been consolidated in the Fund's Financial Statements as required by the International Financial Reporting Standards. The Fund does not have significant control over the operations.

Had consolidated Financial Statements been prepared based on the latest audited Financial Statements of NBK as at 30 June 2018, NSSF's share in the operations of NBK would have been as follows:

	2019 (Kes)	2018 (Kes)
Profit after taxation (48.05%*97,190,000)	46,699,795	943,994,000
Accumulated Surplus/(Deficit) (48.05%*3,145,589,000)	-	735,415,000
	46,699,795	1,679,409,000

39. Related Party Disclosures

a. Income Earned From Related Parties	2019 (Kes)	2018 (Kes)
National Bank of Kenya Limited (NBK)	1,524	1,524
Kenya Commercial Bank – Dividend income	566,260	566,260
East African Portland Cement Company	-	-
NASSEFU Savings and Credit Society Limited – Rental income	6,593	6,593
	574,377	574,377

The related party income includes rent and dividend income earned during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Board of Trustees Remuneration and Expenses		
Board Expenses	53,235,641	26,640,928
	53,235,641	26,640,928
c. Employees		
Tenant Purchase Staff Loans	1,055,508,069	1,154,449,718
Car Loans	267,988,749	281,623,421
Advances and Imprest	21,447,047	20,368,922
	1,344,943,865	1,456,442,061

The Fund provides qualifying employees with car and housing loans on terms more favourable than the market rate. The benefits obtained by staff are subjected to income tax as required under the Kenya Income Tax Act.

40. Contingent assets and liabilities

a) Contingent Assets

In the financial year 2012/2013, The Board of Trustees approved exclusion of impaired assets from the Financial Statements. The cases to recover the assets are being pursued in courts of law and the current status of the cases is as follows:

i. Properties in Gazetted Areas

The Fund acquired investment properties in gazetted areas in New Muthaiga L.R. No.209/12274 measuring 18.41 hectares (located within Sigiria Block which is part of the Karura Forest Reserve), Ngong Road L.R.Nos.20840 and 20841 lying next to Lenana School (part of Ngong Forest).

New Muthaiga

The Fund filed a case under (formerly 147 of 2004) NSSF Board of Trustees VS- Kitisuru Limited and Geoffrey Chege Kirundi, Mike Maina Kamau, Commissioner of Lands and Attorney General. The case is ongoing and is at hearing stage. EACC is currently investigating the matter.

Ngong Road Plot LR. Nos.20840 &20841

The Fund filed a case in court under Milimani HCCC NO. 162 of 2005 NSSF vs Kerios Farm Ltd. The case is ongoing. On 15 July 2014 EACC wrote to the Fund informing it that it is investigating the matter. The title to the property was revoked vide a Kenya Gazette Notice No.3640 dated 1 April 2010. As per the Gazette Notice revoking the title, the parcel of the land had been reserved for public purposes and the allocation was therefore illegal and unconstitutional. The Fund was not given a hearing or any formal notification of the revocation of title.

The Fund is engaging the Chairman, National Land Commission and the Commissioner of Lands seeking for the reinstatement of the title of L.R. No.209/11642 and no positive reply has been received to date. As at 30 June 2015, the valuation of the land stood at Kes.115 million.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. The amount of Kes.251,516,000.00 invested in Euro Bank

An amount of Kes.251, 516,000.00 invested in Euro Bank and expected to have matured on 28 February 2002 had not been redeemed, as the Bank was placed under receivership in 2003.

The Fund initially won the case against Shah Munge & Partners and was awarded Kes.258, 133,333.00. In 2013, the Fund identified 5,250,000 NSE shares valued at 250,000,000.00 belonging to Shah Munge, but another company by the name Southern Bell Ltd went to court claiming ownership of the shares. The company lost the case blocking the Fund from selling the 5,250,000.00 shares for Euro Bank valued at Kes.250, 000,000.00. The Fund sold the shares including a bonus of 17,500,000 shares for Kes. 92,681,284.40, out of which Kes. 23,523,743.30 was retained and paid out as legal fees and other costs.

iii. Rental income

Rental income amounting to Kes.30, 681,000 collected from tenants in Bruce House, Hazina, Viewpark Towers and Nyayo Estate by various property agents had not been remitted to the Fund as at 30 June 2019. Efforts to implement a court decree in favour of the Fund entered by consent vide HCCC No.859 of 1997 have not been successful and on 14th July 2014 the matter was picked by the EACC for investigation. The Fund lawyers are trying to trace the assets of the company.

iv. Discount Securities Ltd

The amount of Kes.1, 201,143,000 in respect of shares purchased through Discount Securities Limited. The matter is before the Anti-Corruption Court - Milimani - Discount Securities Case File No.141/267/2010, Court File No. ACC 15 of 2010 (Republic-vs-Francis Moturi Zuriels & Others), Fund witnesses are giving evidence. Recovery of the amount is still being pursued through the Court Case ACC 15 OF 2010 filed by EACC against the suspected culprits. The case is ongoing.

v. Cash Losses Westlands Branch Fraud (cash losses)

The amount of Kes.7,243,030 was lost through fraud at the Branch. The matter is before a court of law for determination though fully provided for in the Financial Statements for 30 June 2015. The case is ongoing.

vi. Kenya College of Medicine

This tenant at both Hazina and View Park Towers presented fake cash deposit slips for receipting that were subsequently discovered. The case is before a court of law and the amount of Kes.9,327,627 in question has been provided for as contingent.

vii. Contribution Arrears and Penalties as at June 2019

Contributions receivable estimated to be Kes 5,702,745,355.40 have not been included in the financial statements. This comprises of mandatory contributions of 580,759,618.45 and penalties of 5,121,985,736.95. These contributions are based on estimates made on employer and the outstanding penalty is estimated based on previous late payments. The Fund is involved in recovery efforts through alternative dispute resolution, court action, and Intergovernmental Relations Technical Committee (for cases involving defunct local authorities).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

viii. Contingent Liabilities

The major cases that may give rise to contingent liabilities during the year are as follows:

ix. Nyayo Estate Embakasi Phase Six

Nyayo Embakasi Residents Association (NERA) instituted legal proceedings in the High Court of Kenya at Nairobi Environment and Land Division ELC NO.1170 of 2014 seeking to stop construction of the project because of environmental concerns. This has resulted in delay in completion of the works and this has led to the expiry of the Bank guarantee and the mobilization fee of Kes.215, 540,774.00 is at risk. The value of work done is thus KES 274.7 million against the payment of KES 227.9 million. This implied that the Fund's exposure is KES 168.7 which will be claimed based on the terms of the contract.

x. Nyayo Estate, Embakasi (Mugoya Construction)

Mugoya Construction Company Limited has sued the Fund claiming Kes.7.058 billion against a counter claim by NSSF of Kes.9.873 billion. Included in project costs for Nyayo Estate, Embakasi and the counter-claim are questionable payments of Kes.324.356 million made to Mugoya Construction Company Limited without security. The Fund is of the opinion that the possibility of Mugoya Construction Company Limited succeeding is remote. These and other matters relating to dealings with Mugoya Construction Company Limited are under arbitration for determination.

However, full provision of Kes. 324.36 million was made in the 2008/2009 Financial Statements. To date, the arbitration process is still ongoing.

xi. Construction of Hazina Trade Centre

M/s China Jiangxi International Kenya Ltd was awarded contract No.21/2012-2013 to construct Hazina Trade Centre at a cost of Kes.6, 715,218,188.00. A total of Kes.1, 912,043,004.00 has been paid to date. Nakumatt Ltd, the main Tenant in Hazina Trade Centre, has raised legal concerns and instituted a claim of Kes.1, 630,323,151.00 which led to delay in project completion. The matter is still pending in Court. Nakumatt is undergoing bankruptcy proceedings. The Fund evicted Nakumatt out of the building and works resumed with an expected completion date of 31st December 2019.

41. Financial risk management policies

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board of Trustees has established various Board committees, which are responsible for developing and monitoring the Fund's risk management policies in their specific areas.

All Board committees report regularly to the Board of Trustees on their activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Fund, through its training and management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Risk Committee is responsible for monitoring compliance with the Fund's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Fund. The Committee is assisted in these functions by Audit & Risk department which undertake reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committee.

The Fund's financial risk management objectives and policies are detailed below:

a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the Financial Statements.

b) Financial Risk Factors

The Fund's overall risk management programme seeks to maximize the returns derived from the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's performance. The management of these risks is carried out by the Management and Fund Managers under investment policies approved by the Board of Trustees.

c) Foreign Currency Risk

The Fund does not hold any of its bank balances in foreign currency. The fluctuations in currency exchange rates therefore do not expose the Fund to foreign currency risk. IFRS 7 considers the foreign exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, Management monitors the exposure on all foreign currency denominated assets and liabilities.

d) Liquidity Risk Management

The Fund is exposed to daily operational payments and payment to claims payable balances. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Fund sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

Ultimate responsibility for liquidity risk management rests with the Management of the Fund, who have built an appropriate liquidity risk management framework. The Fund manages this risk by maintaining enough funds for its operations through continuous monitoring of forecast and actual cash flows. In order to manage the Fund's overall liquidity, the Management monitors the Fund's liquidity position on a daily basis.

The contractual maturities of financial liabilities are shown below:-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Liquidity Risk

As at 30 June, 2019	Less than 12 Months (Kes)	Over 12 Months (Kes)	Total (Kes)
Investment Assets:			
Investments at quoted market values	5,994,518,873	164,923,831,046	170,918,349,919
Investments at estimated fair	10,078,555,062	36,440,213,110	46,518,768,172
Other assets:			
Inventory	-	72,602,504	72,602,504
Receivables & Prepayments	3,564,032,511	-	3,564,032,511
Accrued Income	6,187,626,209	-	6,187,626,209
Long Term Deposits	-	944,566,315	944,566,315
TPS loans	-	4,650,326,808	4,650,326,808
Staff Car loans	-	267,988,749	267,988,749
Assets Under Construction	-	3,177,008,287	3,177,008,287
Property, Plant and Equipment	-	728,596,061	728,596,061
Total Assets	25,824,732,655	211,205,132,880	237,029,865,535
Liabilities:			-
Accounts Payable	(1,959,062,448)		(1,959,062,448)
Net Assets	23,865,670,207	211,205,132,880	235,070,803,087

42. Currency

The Financial Statements are presented in Kenya shillings (Kes)

APPENDIX 1

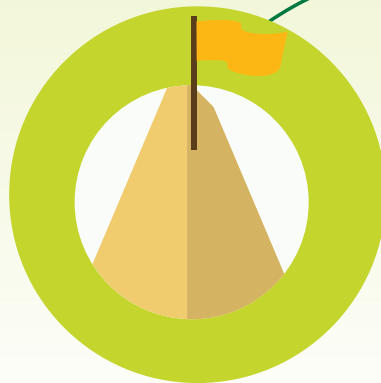
PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS FROM PRIOR YEARS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref.N oon the audit Repor t	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	2017/2018				
1	Accuracy and completeness of contributions receivable	The reconciliation is in progress in consultation with SSPAS system consultant to identify the actual case of the difference for corrective action to be taken	Manager IT	Work in Progress	31 January 2020
2	2.1 Unremitted members' contributions	Regular follow up with employers to clear. Strategies have been put in place for regular follow up and where necessary court cases are being pursued in line with the Act	Manager Registration & Collections	Work in progress	31 January 2020
	2.2 Members contributions held in suspense account	These are funds in employer accounts yet to be transferred to member accounts. The Fund has adopted zero tolerance to suspense through the SSPAS system and hired interns to facilitate reconciliation of employer/member accounts	Manager Registration & Collections	Work in progress	31 January 2020
3	3.1 Goods Receipts/Invoice Receipts (GR/IR) Clearing Account	The reconciliation of physical stock and the balances on Goods Receipts/Invoice Receipts (GR/IR) Clearing Account is in progress. The SAP consultant is working on technical issues, which emerged during the transfer of accounting balances from the stand-alone systems to SAP system.	Manager Procurement & Manager Finance	Work In Progress	October 2019
	3.2 Unidentified Net Salary Payable	Kes 34,411,397.00 was a double posting to the salary account during the implementation of SAP system. The error has been identified and corrective action taken. The financial statement for 2018/2019 have been adjusted accordingly	Manager Finance	Resolved	October 2019
	3.3 Long Outstanding Creditors	The list was generated from SAP system accounts payable. The amount which has been outstanding since 2015/2016 was due to a technical error in SAP system which has been identified. The consultant is working on it.	Finance Manager	Work in Progress	October 2019

	3.4 Returned Benefit to Members	The amount was returned due to various reasons. The details of the beneficiaries are available but lack contact details. The strategies put in place include: An advertisement was made in the press and social media inviting members who qualify to lodge their claim, the analysis of the individual files is in progress to identify the home place for the beneficiaries so that they can be reached by the respective NSSF Branches. The amount has so far reduced to Kes 269 Million.	Manager Benefits	Work in Progress	31 January 2020																								
4	Unreconciled Cash and Bank Balances	SAP consultant is on site to implement a bank reconciliation module. Further, a team of officers are working on items outstanding in the bank reconciliation.	Manager IT / Manager Finance	Work in Progress	October 2019																								
5	Provision of bad debts	The provision is based on IFRS 9. These debts have been outstanding since 2008. It is therefore prudent to make these provisions.	Manager Legal / Manager Finance	Work in Progress	31 January 2020																								
6	Fixed Deposits (Held to Maturity)	<p>The Fund has recovered Kshs 106,344,411.20 from both imperial and Chase bank. The Fund through the Fund Managers is still pursuing the payment of the remaining amounts. Imperial/- Chase Bank Ltd Redemptions</p> <table border="1"><thead><tr><th colspan="4">Deposits</th></tr><tr><th>Bank</th><th>Imperial Bank</th><th>Chase Bank</th><th>Total</th></tr></thead><tbody><tr><td>Holding</td><td>259,500,000</td><td>70,000,000</td><td>329,500,000</td></tr><tr><td>Received: 2018/2019</td><td>26,691,232</td><td>52,970,671</td><td>79,661,903</td></tr><tr><td>2017/2018</td><td>26,682,508</td><td>-</td><td>26,682,508</td></tr><tr><td>Balance</td><td>206,126,260</td><td>17,029,329</td><td>223,155,589</td></tr></tbody></table> <p>Kenya Deposit Insurance Corporation (KDIC) has assured depositors that they have concluded the takeover of 7.5% Imperial Bank deposits by KCB hence we expect more recoveries of deposits.</p> <p>On August 2018 75% of Chase Bank assets were taken over by State Bank of Mauritius (SBM) and 25% to be retained by KDIC.</p>	Deposits				Bank	Imperial Bank	Chase Bank	Total	Holding	259,500,000	70,000,000	329,500,000	Received: 2018/2019	26,691,232	52,970,671	79,661,903	2017/2018	26,682,508	-	26,682,508	Balance	206,126,260	17,029,329	223,155,589	Manager Capital and Money Markets	Work in Progress	31 January 2020
Deposits																													
Bank	Imperial Bank	Chase Bank	Total																										
Holding	259,500,000	70,000,000	329,500,000																										
Received: 2018/2019	26,691,232	52,970,671	79,661,903																										
2017/2018	26,682,508	-	26,682,508																										
Balance	206,126,260	17,029,329	223,155,589																										
	Corporate Bonds	<p>The Fund has partnered with other note holders through the Fund Managers association to push for the recovery of the money from KDIC. Imperial / Chase Banks Redemptions.</p> <table border="1"><thead><tr><th>Bank</th><th>Imperial Bank</th><th>Chase Bank</th><th>Total</th></tr></thead><tbody><tr><td>Holding</td><td>132,200,000</td><td>534,700,000</td><td>666,900,000</td></tr><tr><td>Received</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Balance</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Balance</td><td>132,200,000</td><td>534,700,000</td><td>666,900,000</td></tr></tbody></table>	Bank	Imperial Bank	Chase Bank	Total	Holding	132,200,000	534,700,000	666,900,000	Received	-	-	-	Balance	-	-	-	Balance	132,200,000	534,700,000	666,900,000							
Bank	Imperial Bank	Chase Bank	Total																										
Holding	132,200,000	534,700,000	666,900,000																										
Received	-	-	-																										
Balance	-	-	-																										
Balance	132,200,000	534,700,000	666,900,000																										

8	8.2 Assets Under Construction: Milimani Executive Apartments	<p>Milimani Executive Apartments – Nairobi (LR NO. 209/1796 & 5014)</p> <p>The Fund has completed the development of Milimani Executive Apartments and expects a return on investment of 16.75%. Return on Milimani Executive Apartments:</p> <table><tr><th>ITEM</th><th>AMOUNT IN KES.</th></tr><tr><td>Sales Proceeds</td><td>3,600,000,000.00</td></tr><tr><td>Less: Development Cost</td><td>3,083,608,179.00</td></tr><tr><td>Return</td><td>516,391,821.00</td></tr><tr><td></td><td>16.75%</td></tr></table> <p>The Fund sold the houses off plan and deposits worth KES.799 M has been realised. The Fund is in the process of handing over the houses to the purchasers who have met all the sell requirements.</p>	ITEM	AMOUNT IN KES.	Sales Proceeds	3,600,000,000.00	Less: Development Cost	3,083,608,179.00	Return	516,391,821.00		16.75%			
ITEM	AMOUNT IN KES.														
Sales Proceeds	3,600,000,000.00														
Less: Development Cost	3,083,608,179.00														
Return	516,391,821.00														
	16.75%														
2016/2017															
3	Irregular disposal of undeveloped land -Mavoko	The contract has not been terminated since the delay in completing the conveyancing process was caused by a dispute over physical location of the plots involving the Fund and other parties who claimed to have ownership documents to the physical location. The matter is being resolved.	General Manager, Corporate Affairs/company Secretary	Not resolved	31 January 2020										
4	Hazina Plaza Mombasa Lease-LR MSA /BLK XX/328& 329	Termination of lease and eviction of the tenant in progress. The Fund is evaluating the best use case for use of property Tenant evicted successfully.	General Manager Finance & Investments	Resolved	Closed										
2.0 2015/2016															
2.1	Illegal transfer of NSSF land in Upper Hill Nairobi-LR 209/11642	The matter is being pursued between NSSF and the Chairman of the National Land Commission (NLC) to ensure the title is reinstated	Manager , Property Management	Not resolved	31 January 2020										
2.2	Nyayo Estate Embakasi phase six contract no. 18/2012/2013	NSSF has resolved to terminate the contract for the project. The project consultants have commenced the termination process including recovery of the advance payment of Kes. 215,540,744.22	Manager , Property Development	Not resolved	31 January 2020										



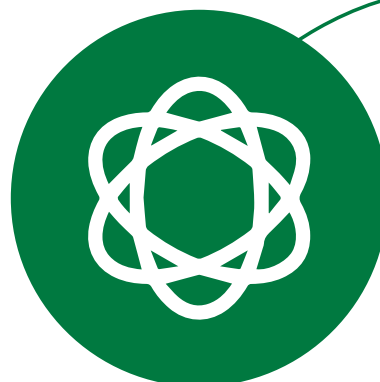
Our mission

To provide adequate income replacement to members, through prudent investments and prompt payment of benefits.



Our vision

To be the trusted Social Security Provider.



Our core values

- Customer Focus
- Integrity
- Accountability
- Transformational
- Care

Toll Freeline: 0800 2212744, LandLine: 020-2729911, 2710552
Cell: 0709 583 000, 0730 882 000, Email: info@nssfkenya.co.ke

NSSF Kenya NSSF_Ke NSSF Kenya





Toll Freeline: 0800 2212744, LandLine: 020-2729911, 2710552
Cell: 0709 583 000, 0730 882 000, Email: info@nssfkenya.co.ke