REPORT OF THE EXAMINATION INTO THE

SYSTEMS, POLICIES PROCEDURES AND PRACTICES OF THE PENSIONS DEPARTMENT MINISTRY OF FINANCE

Prepared by

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Directorate of Preventive Services
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LIST OF ABBREVIATIONS

5PN	Five years Dependants Pension
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
5DG	Five years Dependent Pension for Military
DPM	Directorate of Personnel Management
DOD	Department of Defence
DS	Deputy Secretary
GITS	Government Information Technology Services
ICT	Information Communication Technology
ID	National Identification Documents
IEC	Information Education and Communication
IPPD	Integrated Personnel Payroll Data
ISA	International Standard on Auditing
ITB	Invitation to Bid
IT	Information Technology
KACA	Kenya Anti-Corruption Authority
KACC	Kenya Anti-Corruption Commission
KCB	Kenya Commercial Bank Limited
KENAO	Kenya National Audit Office
KIV	Keep In View
KPSF	Kenya Pension Scheme Fund
KRA	Kenya Revenue Authority
MOU	Memorandum of Understanding
LAN	Local Area Network
LPO	Local Purchase Order
NHIF	National Hospital Insurance Fund
OSS	Ordinary Savings Accounts
PC	Personal Computer
PCK	Postal Corporation of Kenya
PIN	Personal Identification Number
PMIS	Pensions Management Information System
PPDA	Public Procurement and Disposal Act 2005
PRO	Public Relations Officer
PS	Permanent Secretary
R/D	Refer to Drawer
TSC	Teachers Service Commission
UK	United Kingdom
VERS	Voluntary Early Retirement Scheme
WCPS	Widows and Children’s Pension Scheme

ABSTRACT

This is a Report of findings and recommendations of the Examination into the systems, policies, procedures and practices of the Pensions Department. The Examination was carried out by a Team of officers from the Kenya Anti-Corruption Commission between March and August 2007. The purpose of the Examination was to offer advice to the Permanent Secretary Ministry of Finance and the Director of Pensions on ways and means of sealing corruption loopholes in the methods of work of the Department. In order to achieve this, the Team examined the systems of work in all functional areas of the Department through interviews, focus group discussions, observations and spot checks. Interviews and focus group discussions were carried out with the following:

- Officers of the Department
- Pensions officers in selected Ministries
- Pension officers in Provincial and District offices
- Kenya Revenue Authority
- Retirement Benefits Authority
- Postbank
- Postal Corporation of Kenya
- National Bank of Kenya
- Equity Bank
- Pensioners, Dependants, and Guardians

The findings of the Examination demonstrate that there exist opportunities for corruption in the systems of work in the Pensions Department. This Report covers a wide range of findings which are presented in 11 sections.

The first section relates to the policy and legislative framework within which the Department operates. Findings in this area identify the inefficiencies caused by an outdated and disharmonized legislative framework and lack of a national policy for guiding management of pensions in the Country.

The second section is concerned with the governance and general operations of the Pensions Department. Some of the issues highlighted in this section include poor supervision, poor customer care and lack of proper channels of complaints and feedback mechanisms.

The third section covers weaknesses in human resource management which include shortage of competent staff and prolonged periods of stay in one service within the Department.

The fourth section highlights the loopholes and inefficiencies in the processes that the Department uses to process pension claims. Some of the findings in this section include delays, loss of documents, personalization of service and the intervention of brokers.

The fifth section deals with financial management. Some of the inherent weaknesses in respect of financial management include delayed payments, diversion of funds into wrong accounts, overpayments, underpayments and loss of payments particularly when such payments are returned to the Old Cases Section of the Department.

The sixth section details the inefficiencies and loopholes identified in payroll administration. Issues covered in this area include inadequate checks on the payroll, poor systems for additions and deletions in the payroll, poor safeguards for ensuring security of the payroll data and lack of payroll reconciliation.

The seventh section deal with internal audit processes. Some of the findings raised in these sections include the limited scope of work of the internal audit which does not include systems audit.

The eighth and ninth sections have highlighted weaknesses in procurement and stores management respectively**.** These include purchasing of items at prices far above the market rates, lack of involvement of the Department in high value procurement, stock control and competent personnel to handle procurement matters.

The tenth section deals with ICT management. Weaknesses and loopholes in this area include lack of safeguards in capturing data for the new claims, payroll, processing of payments and overall management of the ICT system.

The eleventh section has highlighted issues of records management. The Pensions Department has not put in place a clear system for the management, tracking, storage and preservation of its records. The members of staff manning the registry and other records offices are not well trained and equipped to do their work thus creating room for corruption.

The Report also makes brief comments on the progress on implementation of the Pension Amendment Act no. 6 of 2003 and on the implementation of the Report of the Examination carried out by the Kenya Anti-Corruption Authority (KACA) in 2000.

Recommendations have been made for all the findings in the Report. Some of the recommendations call for administrative action, while others propose the design of appropriate controls.

At the time of the Examination, the Team held discussions with officers of the Public Trustee and made various findings on the management of funds paid through the Public Trustee. Some of the findings are not directly related to the Pensions Department. Thus, a brief report on the office of the Administrator is appended to this Report and will be forwarded to the Administrator General for action.

KACC is mandated to secure the revision of methods of work and procedures that in the opinion of the Commission may be conducive to corrupt practices. The Commission expects the Pensions Department to immediately embark on the implementation of the recommendations. This will include the preparation of an Implementation Schedule to be submitted to KACC within one month after the submission of the Report for discussions and setting targets for continuous monitoring of the implementation process

1.0 INTRODUCTION

The Pensions Department operates under the Ministry of Finance and has the responsibility of administering public officers' pension schemes. Its mandate is founded on the Constitution, and the Pensions Act Cap 189-Laws of Kenya and several statutes that deal with pensions. According to the Pensions Act eligible civil servants or their dependants may be paid one or more of the following benefits namely:

a. Service pension and commuted pension
b. Service gratuity
c. Marriage gratuity
d. Injury pension
e. Death gratuity
f. Dependants pension
g. Compassionate gratuity
h. Annual allowance

The Department's specific mandate involves:

- Processing and payment of pensions, death gratuities and other benefits to retired, deceased or terminated officers in the public service as well as their dependants and legal representatives. This includes former East African Community personnel, teachers, military personnel and Members of Parliament.

- Implementation and periodic review of the pensions Acts, the Service Commissions Act, other relevant statutes and the Civil Service Code of Regulations as it relates to pensions

- Advising the government on the public service pensions policy

At the time of the Examination, the Department had a workforce of 150 officers involved in processing approximately 2000 files for new pensioners monthly, and maintained a payroll of over 180,000 pensioners whose number has been growing at an average rate of 20,000 annually. This is in addition to handling claims lodged by dependants and those injured while performing official duties. The pension's expenditure increased from Kshs 14.4 billion in the financial year 2005/2006 to Kshs 20.5 billion in the financial year 2006/2007. In the current financial year (2007-2008) the budget is estimated at approximately Kshs 23 billion.

The Department relies on other Government Ministries and Departments to prepare and submit claims. Upon processing of the pension claims the Department makes payment through various financial institutions and commercial banks. Payment of death gratuity for public servants with the exception of the Military is made through the Public Trustee.

Efficiency in the management of pension is critical to ensuring that the Department offers quality service to its clientele who are mainly aged members of the population.

The Department has not been able to deliver the expected service to the public and there have been a lot of complaints regarding poor service and entrenched corruption in the department.

Some of the challenges faced by the Department are:

- A huge number of returned pensions, amounting to millions of shillings, arising partly from closure of pensioner's bank accounts

- Delays arising from other government Departments as well as delays in its operations.

- Errors in posting of cheques and monthly dues to pensioners and dependants.

- Inaccuracy in identification of rightful heirs upon the death of an employee or a pensioner.

- Parallel operation of poorly co-coordinated computerized and manual systems.

At the time of the Examination, the Department was in the process of acquiring a new Information Technology (IT) System. It is hoped that the system will facilitate the streamlining of the operations of the Department considerably.

Pensions play a major role in national and human development. This includes providing financial cushioning of the aged after retirement. Pension funds can also improve the country's portfolio on saving thus providing access to funds for investment. Various studies have shown that whenever employees are not guaranteed adequate levels of social security, there is a high propensity to engage in corrupt practices as a means to secure their future upon retirement.

KACC recognizes the important and strategic role of the Pensions Department in providing a secure future for pensioners and their families especially given the breakdown of traditional support systems that catered for members of the community in situations of distress. Inefficiencies and corrupt practices in handling of pension claims and disbursement of payments can cause untold suffering to the pensioners and their dependants, most of whom have no other forms of social security. The multiplier effect of such inefficiencies is lack of access to basic services such as healthcare, shelter and education for a large segment of the population.

Furthermore, many retirees go back to the rural areas where the community looks up to them to confer a sense of pride in the public service. However, some do not meet such expectations when the flow of income is not forthcoming due to inefficiencies in the management of pension. This may create disillusionment and loss of confidence in public institutions. It is therefore in the interest of the Government and the Kenyan citizenry to have a robust and efficient pension management Department. KACC decision to conduct a systems review of the Pensions Department was premised on the broad concern of ensuring that the Department delivers its services with a high sense of efficiency, transparency, and accountability.

2.0 BACKGROUND

The Kenya-Anti Corruption Commission (KACC) is mandated to prevent corruption by ensuring that public resources are well managed through prudent and transparent systems that leave no room for corrupt practices. The Examination into the systems, policies, procedures and practices of the Pensions Department was in partial fulfillment of the Anti-Corruption and Economic Crimes Act 2003. Section 7 (1) (d), (e) and (f) of the Act mandates the Kenya Anti-Corruption Commission:

1. At the request of any person, to advise and assist the person on ways in which the person may eliminate corrupt practices.

2. To examine the practices and procedures of public bodies in order to facilitate the discovery of corrupt practices and secure the revision of methods of work or procedures that, in the opinion of the Commission, may be conducive to corrupt practices.

3. To advise heads of public bodies of changes in practices or procedures compatible with the effective discharge of duties of such bodies that the Commission thinks necessary to reduce the likelihood of occurrence of corrupt practices.

The Examination into the Pensions Department was carried out pursuant to this mandate.

2.1 PROBLEM STATEMENT

The Examination was necessitated by reports from the media and complaints from members of the public including clients of the Pensions Department, to the Kenya Anti- Corruption Commission. The complaints alleged various forms of inefficiencies and corrupt practices in the processing of retirement benefits and death gratuities and other claims. Some of the complaints addressed the following issues:

Delays in payment

Complainants accused the Pensions Department of taking too long to process claims even after all documents have been forwarded to the Department.

Loss of documents and files

Some complainants alleged that some cases taken to the Department as early as 1990 had not been processed due to deliberate loss of documents and files. Certain files are untraceable at the Department. This is particularly when certain officers have interest in the file.

Demand and soliciting for bribes

Some reports alleged that retirees and dependants are exploited by officials of the Pensions Department who promise to fast track processing of their pension and related benefits. In some situations, the officers work in collaboration with brokers. The bribes usually range from Kshs 1,000 to even Kshs 100,000 depending on the amounts due to the pensioner.

Payment irregularities

Various reports indicated that there are situations when payments are stopped without any reason. There were complaints that requests for change of points are not always honoured and in some cases the payment of pension is stopped altogether when a client sends a request for change of pay point. Reinstatement in to the payroll takes a long time. Some complainants indicated that they have not been paid arrears which were incurred at the time their payments were stopped.

In addition, some reports indicated that the Department continues to remit payments to wrong accounts even after the clients have reported this irregularity.

Fraud

In certain instances, officers of the Department allegedly approached certain individuals to allow them to use their bank accounts to transfer retirees' funds with intent to defraud.

All these and other complaints indicated existence of weaknesses and loopholes in policies, procedures and methods of work of the Pensions Department. Accordingly, KACC found it necessary to assess the degree of accountability, transparency and integrity in all the functional areas of the Department. The purpose was to identify weaknesses, loopholes, avenues and opportunities that may be used for corrupt practices and thereafter to offer appropriate advice on how to seal such loopholes. It is envisaged that such advice would improve transparency and governance of the Department and ensure that those entrusted with the management of public pension do so with the highest degree of integrity.

2.2 OBJECTIVES

The objectives of the Examination assignment were two fold namely:

a) To identify weaknesses and loopholes inherent in the systems, policies, procedures and practices that provides opportunities for corruption at the Pensions Department.

b) To make recommendations on the best way possible to secure change that will ensure that the Department is not only efficient but demonstrates integrity, transparency and accountability in the delivery of service.

2.3 TERMS OF REFERENCE

The terms of reference of the Examination were:

a) Studying the existing policies, procedures and methods of work in all functional areas of the Pensions Department.

b) Reviewing adherence to policies, guidelines and procedures in the performance of the department's function.

c) Establishing the effectiveness of these systems in enhancing integrity in the operations of the Department.

d) Identifying weaknesses, loopholes and avenues for corruption in all functional areas of the Department.

e) Assessing the effectiveness of the feedback systems between the Department and other Government institutions such as Ministry of State for Public Service, Government Information Technology Services (GITS), the Public Trustee and the Kenya Revenue Authority.

f) Assessing the linkages between the Department and pensions paying outlets such as National Bank, Post Bank, Postal Corporation of Kenya and Equity Bank.

g) Analyzing the appropriateness of records keeping practices by the Department including computerized and electronic records.

h) Assessing the implementation progress of the recommendations of the examination carried out by the Kenya Anti-Corruption Authority in 2000.

i) Preparing a report of findings and making recommendations on how to seal identified corruption loopholes.

2.4 SCOPE

The Examination exercise was conducted in the offices of the Pensions Department head office at Nairobi and a sample of stakeholders such as Banks and Ministries who originate the claims. Other institutions covered in the exercise include Government Information Technology Services (GITS), randomly selected District Treasuries, the Ministry of State for Public Service, the Administrator General, Teachers Service Commission, Ministry of Health, Ministry of Agriculture and Office of the President Provincial Administration and Internal Security. Provincial forums were held in seven provinces with pensioners and dependants and officers dealing with pension matters at the province and District level.

2.5 METHODOLOGY

In order to effectively address the above terms of reference, the following methods were applied:

a) Literature review.

b) Formal and informal interviews.

c) Focus Group Discussions.

d) Holding Public Fora with Retirees and dependants at the Provincial level.

e) Observations of:

- Surroundings
- Physical facilities
- Work processes
- Clients behavior

f) Spot checks.

3.0 FINDINGS AND RECOMMENDATIONS

3.1 POLICY AND LEGAL ENVIRONMENT

General Observations

1. It is noted that the operations of the Pensions Department are regulated variously by the Constitution and a plethora of statutes which include:

- The Pensions Act Cap, 189- Laws
- Parliamentary Pensions Act Cap 196
- Widows and Children Pensions Scheme Act, Cap195
- Widows and Orphans Pensions Act,Cap192
- Asian widows and Orphans Pensions Act,Cap193
- Asian officers Family Pensions Act,Cap194
- Pensions Increase Act, Cap190
- Armed Forces Act, Cap 199
- Presidential Retirement Act, 2000
- Law of Succession Act, Cap160
- Provident Fund Act, Cap 191

These statutes provide the legal framework within which the public service pension scheme is operationalised. A general examination of these statutes reveals a number of discrepancies which have discriminatory effect regarding the administration of pensions. [1]

This state of affairs would seem to indicate a lack of a comprehensive policy and legal framework for the management of pensions generally in the country. However policy recommendations of a general nature are beyond the scope of this Examination.[2]

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[1] For example some of the current statutes applied to civil service pension schemes are outdated and discriminative. For instance, the Widows and Children Pensions Scheme (Cap 195) provides for the age limit of a child at sixteen years (16) for African children whereas the Widows and Orphans Pensions Act (Cap 192) and Asian officers Family Pension Act (Cap 194) provide for the child age limit at twenty one (21) for Europeans and Asians.

Furthermore the existence of parallel provisions in different statutes is an anomaly that can lead to application of different standards which can create dissatisfaction among public officers. For instance whereas the Pension Increment Act (Cap 190) provides for pension increments for all pensioners, regulations made under Section 227 of the Armed Forces Act (Cap 199) entitle members of the armed forces to pension increments from time to time. The Regulations can be used to give members of the armed forces preferential treatment.

[2] The Permanent Secretary Ministry of Finance should consider spearheading the formulation of a comprehensive Government policy on public service pensions schemes administered by the Pensions Department and set the appropriate legal and institutional framework to address the interests of retirees and their dependants. A comprehensive policy is critical to ensuring that the Pensions Department is guided by clear and consistent legal and administrative framework. The Permanent Secretary should also discuss with the Attorney General the possibility of reviewing all the relevant laws with a view to updating and harmonizing them and removing inconsistencies

Specific Observations

2. The Widows' and Orphans' Act (Cap 192), the Asian Widows' and Orphans' Pensions Act, (Cap 193) and the Asian officers Family Pensions Act (Cap 194) provide for contributory schemes for Europeans and Asians who are currently paid through Crown Agents. The Pensions Department continues to pay these Europeans and Asians using the British currency which translates to higher figures than those paid to other pensioners. It is also difficult for the pensions Department to authenticate the actual dependants of the Britons and Asians living in the United Kingdom as most of the principal pensioners may have died.

The Director of Pensions should ensure that life certificates for the pensioners and dependants paid through Crown Agents are submitted annually to the Department. These should form the basis for continued payments.

3. Section 112 (4) of the Constitution provides that all pensions benefits shall be charged upon the Consolidated Fund (except, in the case of benefits under the Provident Fund Act, the Widows' and Orphans' Pensions Act, the Asian Widows' and Orphans' Pensions Act and the Asian Officers' Family Pensions Act which are charged on a fund established by any of those Acts). One of the recent reforms within pensions was the establishment of the Public Service Superannuation Scheme. At the time of the Examination, some Ministries were deducting contributions for the Public Service Superannuation Scheme from their employees. This was being done despite the fact that there is no clear legal framework in place for the implementation of the scheme.

   Implementation of the scheme may be difficult within the current constitutional dispensation and lack of a national policy on pensions.

The Minister of State for Public Service in consultation with the Minister for Finance and the Attorney General should review the Pension statutes with a view to providing a legislative framework for implementation of the contributory Scheme within the public service.

The Permanent Secretary Ministry of State for Public Service should issue clear guidelines explaining the Government position on the Contributory Scheme. All Authorized officers in all Government Departments should cease deducting contributions to the scheme until appropriate processes and procedures are fully developed.

4. At the time of the Examination, the Pensions Department had not fully implemented the Presidential directive of 2005 which increased monthly pension to a minimum of Kshs 2000.00. This had not been done for disability pension, those who served in the East Africa Community and for dependants. The Department indicated that it was still trying to get clear interpretation of the directive.

The Director of Pensions should seek clear interpretation of the Presidential directive from the Head of Public Service to enable the Department to implement the increment correctly and uniformly.

5. In some instances the Department encounters forged death and birth certificates and declaration forms presented by persons who are not the rightful dependants in collusion with chiefs, relatives of the deceased and other interested parties. In such cases the process is terminated in order to determine the rightful dependants. Where some payments have been made only the balance is remitted to the rightful dependants once ascertained. In all cases, no action is taken against the culprits.

As a deterrent measure, the Director of Pensions should refer all cases of forgery of documents and giving false information to a public officer to the relevant investigative agencies for further investigation and prosecution.

3.2 GOVERNANCE AND OPERATIONS OF THE PENSIONS DEPARTMENT

Position of the Director of Pensions

1. The Legal Notice No. 317 of 1974 provides for the position of a Principal Pension Officer as the Head of the Pensions Department. Currently, the Department is headed by the Director/Secretary. This is not in harmony with the provisions of the Legal Notice. The Finance Act of 2007 did not address the anomaly as anticipated.

The Minister for Finance in conjunction with the Attorney General should regularize the position of the Head of the Pensions Department.

3.2.1 General Operational Issues

Centralization of the Pensions Department

2. The operations of the Pensions Department are centralized at the Head Office in Nairobi. This implies that majority of the pensioners, dependants and guardians travel to Nairobi for any form of enquiries. During the provincial forums, some of the dependants and guardians told the Examination Team that they have to look for persons who know their way in Nairobi to take them to the Department. Some of them narrated to the Team horrible experiences at the Head office. Some of the experiences included:

- Exploitation by brokers and other intermediaries within the Pensions Department. (The Team observed that some of the brokers wait for pensioners at the Duty Office and by listening to the issues which concern particular pensioners, they accost them and promise to fast track payments).

- Extortion by some pensions officers who ask for various forms of bribes. Some of these are given out in corridors and restaurants.

- Sleeping in the streets and exposing themselves to various forms of dangers as they have to keep waiting for information on their claims.

The Permanent Secretary Ministry of Finance should decentralize some the functions of Pensions Department by creating pensions offices at the District level. The offices should carry out the following functions:

- *Customer service and liaison with the Pensions Department Head office.*
- *Handle all enquiries of pensioners and dependants.*
- *Provide information on the status of pension claims.*
- *Issuance of Declaration form for dependants.*
- *Guide the pensioners and dependants on the requirements for processing pension.*
- *Educate the public and serving officers on matters of pension.*

The offices should be networked with the head office in order to access updated information on inquiries pertaining to pensions and also to ensure that the officers perform their functions effectively.

Pension officers should be well trained in customer care in order to professionally handle the complainants and the public. In addition, they should be well versed in matters of pension in order to effectively educate the public. In order to enhance transparency, the officers should work on a rotation basis in line with the Public Service guidelines on duration of service in one station.

A Pensioner contributing during a forum

Interferences

3. Due to delays in processing pension, there are several instances where senior government officials and politicians intervene to pressurize officials of the Department to fast track pension payments. When this happens, such files are tagged with red stickers as a sign that they should be prioritized for action. The Team observed that it takes a long time for a claim to be processed without assistance either internally or externally. This creates a loophole for corrupt practices as pensioners have to follow their claims from one stage to another.

   At the time of the Examination, the Team observed that it takes more than six months to process a claim even when all the documents have been provided. This is despite the 45 days limit set out in the Ministry of Finance Service Charter. At the time of the Examination in April 2007, claims which had come to the Department as early as September 2006 had not been paid.

The Director of Pensions should ensure that all the claims are processed promptly to avoid delays. This will stem external interference and ensure that all retirees are served impartially. In addition, the Director should develop a comprehensive Departmental Service Charter addressing all pension processes. The charter should be widely disseminated to stakeholders and retirees.

Operational guidelines

4. The Department uses approximately 10 formulae to compute various pension awards. This is done by assessment officers without appropriate operational manuals. Assessment officers exercise discretion on the type of awards related to specific claims. Though the officers rely on the various statutes to determine the pension awards, they have no background in accounts or legal matters. The Team found many letters of complaints related to miscalculation of their dues. This complaint was repeated by many pensioners during the provincial forums.

The Director of Pensions should develop simplified operational manuals covering all the areas to assist officers in carrying out their duties. The manuals should clearly outline the retirement circumstances and the type of award related to such retirement. This should be matched with the right award and the appropriate formula for calculating the dues.

Duplication of duties

5. Processing of pension claims goes through various steps at various Sections. These include:

    - Claims
    - Registry
    - Assessment
    - External Audit
    - Approval
    - Accounts
    - Cash office
    - Dispatch

    At each step officers check the same documents for similar items. This is duplication of duties, improper use of human resources and increases delays and inefficiencies in processing the claims. In some instances, documents are accepted at one level and are rejected at another level.

The Director of Pensions should endeavour to remove duplications in the various steps through merging related functions with the aim of ensuring that once the documents have been checked and accepted they enter into the system. This can be achieved through placing the officers entrusted with the duties of verification of documents, sealing, serializing and capturing into the system in one office to work in teams. These teams should forward the documents to second level working teams charged with the duties of assessment, audit, and approval after which the claims are forwarded for payments.

Corruption networks

6. Pensioners and some members of staff of the Pensions Department informed the Team of existence of corruption networks in the pension processes. The networks include:

    - Brokers who work in cahoots with officers of the Pensions Department.

    - Pension officers in the Ministries and officers of the Pensions Department.

    - Ministries staff, pensions staff and staff of Kenya Revenue Authority (KRA) who prepare tax clearance certificates.

The Permanent Secretary Ministry of Finance and authorized officers in other Ministries should ensure that all members of staff who perform Pension duties are frequently rotated in order to deter syndicated corruption

Leakage of Confidential Information

7. Members of staff leak information on payments due to pensioners. The information leaked includes amounts paid and accounts of pensioners. This exposes pensioners and dependants to various risks. The Team was informed that at times the third parties get the information before the Department informs the pensioner or the dependant of the payments. Pensioners also complained that personal information is leaked to the brokers who approach them with promises to assist in following up their matters.

The Director of Pensions should ensure that officers of the Department abide with the provisions of the Official Secrets Act and the Public Officer Ethics Act in handling personal information on pensioners. In addition, the Director should investigate cases of information leakage and take appropriate disciplinary action against the officers involved.

Court Cases

8. The Pensions Department is sometimes sued in respect of pension or gratuity payable to the retiree or the next of kin. In cases where the Department is sued payment of pension or gratuity is normally suspended. The Department does not maintain a register and statistics of cases pending in court. It is therefore difficult to know the status of the cases which are pending and being handled on their behalf by the Attorney General.

The Director of Pensions should ensure that the Department maintains a register of all cases. This will facilitate appropriate follow up and updates on all cases from the office of the Attorney General.

Office Organization

9. Organization of offices at Pensions Department at Bima House is confusing. For instance, claims are received on Mezzanine floor and then taken to the sixth floor for sealing and serialization. The movement may lead to loss of documents which is a major complaint from pensioners. In addition, the mail office is located on the mezzanine floor whereas the registry, from where the mail is stamped and distributed is on the third floor.

   Furthermore, the Team noted that supervisors sit far apart from the operational area which makes supervision of staff difficult. Clients and officers move up and down as they seek for the supervisors' action on certain matters.

The Director of Pensions should ensure that the offices performing similar functions are located close to each other to avoid loss of documents as they are moved from one place to another.

In addition the Director should ensure that supervisors sit close to service areas to enhance supervision and faster clearance of issues as they are brought into the Department.

The Department's Seal

10. The Claims Section maintains a seal for stamping claims that have been verified and accepted. The Examination Team observed that the seal is not properly secured and that the office is accessible to unauthorized persons. The keys to the cabinet in which the seal is kept are also left in a draw in the same office.

The Director of Pensions should ensure that entry to the office where the seal is kept is restricted and that the office is properly secured and that the sealing room is accessible only to officers who have the responsibility of sealing documents. This will enhance accountability.

3.2.2 Communication Channels

1. The Department has not put in place appropriate mechanisms to capture complaints. Some complaints are handled by the Personal Assistant to the Director and others by the Public Relations Officer. In addition, the Team observed that there is no system of recording complaints that are reported to the Department making it difficult to track action taken on a specific complaint.

The Director of Pensions should streamline the process of receiving and responding to complaints. The office of the Public Relations Officer (PRO) should provide the clearing house for complaints coming to the Department. One of the purposes of receiving complaints is to use them for management decisions and also to help the institution put in place internal corruption risk control mechanisms. The Director should therefore ensure that a complaints' register is maintained in a central place and updated frequently for effective complaints analysis in order to inform the management on timely supervision and decision making processes. Such materials should also be posted on the website for ease of access.

2. The Team observed that many pensioners, dependants and guardians are not familiar with pension processes. These include;

- Documents required
- Period of pay
- Entitlements

In some situations, the Department processes the five years Dependants pension (5BPN) and fails to process the Widows and Children's Pension Scheme (WCPS) even when the deceased was a contributor. It is not possible to know whether all the dues that a dependant is entitled to have been paid until the file is retrieved. Some claimants find out about their entitlement only through discussions with other pensioners/dependants. This is a loophole that can be exploited to corruptly pay other persons and not the actual pensioners/dependants. It can also be used for fraud.

The Director of Pensions should ensure that all the entitlements of dependants are processed simultaneously. Standard format on communication to the dependant should be configured in the computerized system in-order to ensure that the pensioner is informed of the following:

- *Types of awards due.*
- *Payments made and where such payments have been remitted to.*
- *Pending payments*

In addition the Director should ensure that the Department prepares and disseminates information education and communication (IEC) materials to members of the public to create awareness on the roles and activities of the Department. These can be disseminated through various accessible media including but not limited to radio, public meetings, television and print media.

3. After payments are processed, letters are issued advising the pensioners to collect their payment from the pay point. Copies of such letters are placed in pigeon holes at the mail office for personnel from the originating Ministry to pick. The Team observed that such letters are rarely picked. At the time of the Examination, letters dating as far back as 2004 were still lying in the mail office. In addition, any one could pick these letters because there is no method of recording such deliveries.

The Director of Pensions should ensure that these letters are sealed in envelops addressed to the Authorized Officer of the respective Ministry/Department. The letters should only be picked by officers who are charged with the duties of delivering the claims to the Pensions Department. A register for signing out these letters should be opened at the mail office. This will enhance feedback between the Department and originating organizations.

3.2.3 Customer Service

1. Sometimes it is difficult for the public to identify pension officers starting from those who work at the reception desk at the entrance to the Department's offices. This is because they do not always display their Staff Identification Cards.

   The Team observed that in some instances, when visitors' tags run out, visitors are allowed into the offices without the tags.

The Director should ensure that all the officers display their name tags. Further the Director should ensure that there are sufficient visitors' badges and the officers at the reception are vigilant in screening all the people and identification documents.

2. The Department occupies six floors. At every floor, there is a reception desk where visitors report for guidance into the offices. The Team observed that these desks are often left unattended during office hours. This allows brokers to walk into the offices and mislead pensioners by purporting to assist them in following their claims.

In some instances, pensioners who have not been cleared at the reception desks are sent back and forth from the offices. Some of them end up waiting for long hours making it possible for brokers and other officers to prey on them as they promise to offer assistance to them.

The Director should ensure information to direct visitors to the service areas is clearly displayed. The reception areas at each floor should provide the necessary back-up for guiding clients to the action officers. The officers should be present at the desks throughout the working hours.

3. The building where the Pensions Department is located also houses other organizations which do not operate reception desks at the entrance to the building. The reception desk manned by the Pensions Department does not control members of the public visiting other organizations in the same building. This makes it possible for brokers to get into the offices undetected.

The Director should liaise with other organizations which have offices within the building to organize a professionally managed reception at the entrance to serve each organization. The visitors' tags should clearly indicate the organizations represented to ensure that they are given out in accordance with areas of interest of the visitors.

4. The Department has established a Duty Office which provides information to pensioners on the status of their claims. Officers serving at the duty office are drawn from various sections. However, they do not have relevant skills in customer care. The officers are rude and sometimes are very unkind to pensioners. The Examination Team observed that at the duty office, officers shout at the clients and offer little help to them.

Although the office is expected to offer up-to-date information on the position of all claims, this is not possible because the information posted on the computer is not regularly updated.

The Director of Pensions should ensure that:

- *All officers serving in the duty office are trained on customer care and public relations. Options of hiring qualified customer care and public relations officers should be urgently explored.*

- *The information at the duty office is regularly updated such that records are captured on a daily basis. This information should be backed by the files which the duty office should access in order to give the pensioners the actual information on the status of their claims.*

5. The Team received several complaints on the attitude of some members of staff in the Department. Pensioners alleged that some staff members are discourteous, insensitive and rude. They said that this behaviour is an attempt to intimidate clients in order to enlist fear such that demands for bribes are heeded to.

The Director should ensure that all staff in the Department are sensitized on positive organization culture and attitude change. Staff at the reception desks should be trained in customer care and public relations Further the Director should draw the attention of all the staff to the provisions of Section. 8 (b) of the Public officer Ethics Act 2003 which requires all public officers to treat their fellow officers and the public with courtesy and respect

3.3 HUMAN RESOURCE MANAGEMENT

At the time of the Examination, the Department had a total of 188 officers. Approximately 24 positions most of them at management level were vacant. Some members of staff were working in areas they did not have competence in. Details on the competences of the staff have been covered in certain sections of this Report.

1. The Ministry of Finance developed a Scheme of Service for officers working in the Pensions Department which at the time of the Examination was awaiting approval from the Ministry of State for Public Service Directorate of Personnel Management (DPM). Currently, majority of the officers undertaking the pensions activities are either personnel officers or clerks. This is because over the years, the Ministry was not guided by any scheme of service defining the appropriate professional qualifications for officers performing pension duties.

The Permanent Secretary Ministry of Finance should post qualified staff to work in the Pensions Department. In addition, the Director should deploy staff to work in areas where they have relevant skills.

2. Some officers working in the Department have stayed for a long time spanning even 30 years. In some cases, an officer serves in the same area as long as 10 years. This creates opportunities for establishing corruption networks within the Department.

In order to dismantle any corruption networks in the Sections, the Permanent Secretary Ministry of Finance should rotate staff frequently to different areas, functions and Departments within the Ministry. This is achievable since majority of the personnel working in the Department perform functions that are basically performed in other Departments. These functions include procurement, finance, records management, human resource management, clerical duties among others.

3.4 PROCESSING OF PENSION CLAIMS

Receiving of Claims

1. All initial records on retirement originate from Government organizations where the retiree worked. These organizations have established Pension Sections under Human Resources Departments. The Sections issue retirement notices which incorporate a list of documents required for purposes of processing pension claims. The Team noted that some Ministries issue the notices a few months before retirement. This leads to delays in processing of pension as some documents are not easily available.

The Permanent Secretary in the Ministry of State for Public Service should enforce the requirement to formally notify officers a year before they are due for retirement. This will assist in putting together all requisite documents and fast track processing of pension. In addition, the officers should largely depend on the information on the Integrated Personnel Payroll Data (IPPD) and files and only request for the missing documents. This will go a long way in implementing the Pensions Amendment Act No.6 of 2003.

2. All claims are received by the Claims Section at the Pensions Department which is situated at the mezzanine floor. The Team observed that the office is accessible to members of the public. In addition, members of the public visiting the office do not have to clear at the Reception Desk due to its location. This creates an opportunity for unauthorized individuals to access the office. Some of these individuals might tamper with the pension claims.

The Director of Pensions should enhance the security of the Claims office by putting up a reception desk for clearing all visitors to the office.

3. The Pensions Department receives claims from the originating organizations which follow a schedule prepared by the Department. Each Ministry is allocated a number of days depending on its size. An analysis of the schedule showed that it takes a period of two months for all Ministries to submit claims. This causes major delays in submitting and processing of claims.

The Director of Pensions should develop a system of receiving claims and capturing them in the system immediately they are brought to the Department. This will involve moving all claims personnel to one station where a team of officers check each claim, serialize and enter into the computer. (Refer to recommendation under finding 6 Section 3.2.1). As such Ministries should only be allocated specific days within the week to bring in pension claims.

Required Documents

4. There are various forms used in preparing pension claims. These are:

a). Form GP 178 - Normal retirement claim form
b). Form GP 179 – compassionate gratuity claim form
c). Form GP 190 – claim form for those who may have transferred services from Ministries to other public agencies
d). G.P 213 – claim form for widows and children pension scheme

These forms are accompanied by various documents depending on the claim. The standard documents include:

a). Copy of National Identity Card
b). First letter of appointment
c). Letter of confirmation in appointment
d). Letters of promotion
e). Latest pay slip
f). Declaration form detailing retiree preferred pay point such as Bank Account
g). Letter of authority for retirement
h). Certificate of Clearance from government liability
i). Income tax clearance certificate

Each retiree is expected to submit these documents to the pension Section in the Ministries. The Team observed the following:

- It is difficult for retirees to get some of these documents such as first letter of appointment. In certain cases, such letters may have been issued over 30 years ago.

- Poor management of records in the Ministries leads to failure to trace some documents hence they may need to be recreated.

- When officers are transferred to different Ministries or stations in the course of duty, there are instances when personal files are not moved to the new station. Such files are dumped in the archives and information required for pension processing gets lost.

The Permanent Secretary, Ministry of State for Public Service should ensure that all requisite documents for processing of pension are available in the personal file and that all Ministries and Departments come up with appropriate records management systems. Standard instruments for transferring files from one Ministry to another should be developed for management of files.

Further, the Permanent Secretary should ensure that officers in the Public Service update their personal records annually. The Director of Pensions in conjunction with the Permanent Secretary Ministry of State for Public Service should work out modalities for networking the Pensions Department with the Integrated Personnel Payroll Data (IPPD) information system to facilitate faster processing of pension without relying on the retirees to provide all the documents as listed above.

5. The Pensions Department requires several documents for processing of dependant’s pension. These are:

   - Birth certificates of the children of the deceased
   - Original or certified copy of the death certificate
   - List of dependants from the Provincial Administration
   - Marriage certificate
   - Widows identity card
   - Declaration form completed by Widow (s)
   - List of heirs
   - Guardianship certificate for orphaned minors

   All the documents and declaration forms have to be certified and witnessed by the Chief, the District Commissioner and a commissioner of oaths or a magistrate. The Team also noted that the lists of heirs provided by officers while in service are not up-to-date. Most dependants interviewed said that the requirements are too stringent and some of the forms are complicated and not easily understood. This contributes to delays in pursuing the claims. The declaration forms are only available at the Pension Headquarters**.**

The Permanent Secretary Ministry of Finance in consultation with the Permanent Secretary Ministry of State for Public Service should ensure that all officers update their bio-data forms particularly with regard to dependants. All officers should be made aware of this requirement and be encouraged to provide information promptly whenever there is a change in the marital status and number of children.

The Director of Pensions should revise and simplify all the pensions' application documents. The same should also be made available electronically via internet and copies be distributed at all the District offices for accessibility.

Computing errors

6. Pension awards are given upon:

a). Retirement on Age Grounds (50 or 55years) pension
b). Retirement on Medical Grounds
c). Retirement in the Public Interest
d). Retirement on abolition of office or re-organization of office
e). Voluntary Early Retirement Scheme (VERS)
f). Retirement on Marriage Grounds

Other awards include:

a). Compassionate Gratuity
b). Injury pension
c). Benefits under Widows and Children Pensions Scheme
d). Death gratuity

A retiree is entitled to a certain award depending on fulfillment of certain conditions during the period of service. Awards are accompanied by various regulations. For instance, before 1974, the period taken for maternity leave was excluded from the period used in computing pension dues.

In most Government Departments computation is done by clerical staff in personnel Departments. The Team noted that most of the claims forwarded to the Pensions Department are hardly accepted on the first submission due to errors. This is partly attributed to the fact that some personnel officers are not conversant with pension matters. This is a loophole that can be used by Ministry personnel to deliberately make errors on the claim forms in order to delay the process and to solicit for bribes from retirees.

The Permanent Secretary Ministry of State for Public Service should issue guidelines outlining the relevant skills required in staffing the Pension Sections in the Ministries in order to enhance their capacities in handling pension matters.

The Director of Pensions should develop a standard computerized form for use in the Ministries in order to reduce the errors made in filling the forms by use of typewriters. This will also reduce delay in compiling the claim forms.

In addition, the Director of Pensions should ensure that computation of awards is carried out by officers in the Pensions Department. To achieve this, the Permanent Secretary Ministry of Finance should deploy qualified officers to the Pensions Department to enhance the capacity of the Department in carrying out its activities.

Delays in handling pension claims

Processing of pension is plagued with persistent delays at every level. The Team established that delays emanate from inefficiencies in both the originating organizations as well as the Pensions Department.

a) Delays caused by originating organizations

7. Some originating organizations fail to submit claims promptly even in cases where all the documents have been provided by the retiree. For instance an officer retired from the Ministry of Public Works in 2001 and submitted all the documents in 2004. However the claim was submitted to Pensions Department in 2007 at the time of the Examination. The Team observed similar cases in the Ministry of Health and the Office of the President, Provincial Administration. Pensioners who were interviewed cited similar practices in other Government Ministries and Departments.

All Authorized officers should ensure that all files for processing of retirement claims are promptly acted on within a specific timeframe. In the event of delays on the part of Human Resource officers in the Ministry, the Authorized officers should take appropriate disciplinary action against such officers.

In addition, the Director of Pensions in consultation with the Attorney General and the Permanent Secretary Ministry of State for Public Service should spearhead the formation of statutory pension committees in Ministries and in the Pensions Department. The Committees should be chaired by senior officers of the rank of senior assistant secretaries and above and should be answerable to the authorized officers in the respective ministries. They should be mandated to review the status of pension *claims on a monthly basis and to recommend appropriate disciplinary action in all cases of unwarranted delays. The ministerial committees should be mandated to liaise with the committee set up in the Pensions Department on all matters pertaining to the processing of pension claims. This will assist in the timely identification of bottlenecks that should be brought to the attention of the Director of Pensions and authorized officers.*

8. The Team was informed that some Ministries deliberately misfile records to make retrieval difficult. During the Provincial forums, pensioners claimed that in some instances Human Resource officers extort bribes and in the event the pensioner is unwilling he/she is punished through misfiling to delay action on his/her file.

Authorized officers should develop a system of checks and balances in order to enhance tracking of files. In addition, the officers should undertake an audit of personnel records within their jurisdictions to ensure that they are easily retrievable.

9. The Team noted that officers in the registries work on specific file numbers for a long time. When the officers handling certain numbers are out of office, other officers cannot retrieve or work on the files. The Team was informed that there were many cases of deliberate delays from the Ministries arising from this situation due to personalization of files.

Accounting officers should come up with a file allocation system that ensures claims are processed expeditiously according to the retirement dates irrespective of file numbers.

10. All the Ministries/Departments have established Pension Units at their Headquarters offices. The Team noted that once the Provincial or District offices forward documents to the Head office, there is no feedback from the Headquarters on the progress of the claim unless additional documents or information is required. As such these offices are unable to inform retirees on the progress of their claims. This inefficiency can be used for corrupt practices as the retiree keep going to the Pensions Department or to the Ministry’s Head office to follow such claims.

The Permanent Secretaries in all Ministries should ensure that there is proper communication between the Headquarters and Provinces/Districts on the status of all pensioners’ files. Where all retirees’ documents are available at the provincial level, *they should be forwarded to the Provincial Pensions Units in line with recommendation under finding No 1 Section 3.2.1 of this Report.*

11. Part of the clearance process involves obtaining tax clearance certificates from the Kenya Revenue Authority (KRA). Processing of Pension cannot commence until the certificate is provided. In some instances, Ministries and other organizations take long to request for such clearance and to submit them to the Pensions Department once they are issued. For instance at the time of the Examination, there were some tax clearance certificates in the Ministry of Health dating back to 2003.

The Permanent Secretary Ministry of Public Service and the Permanent Secretary Treasury should work together with the Commissioner General KRA to find a lasting solution on the tax clearance. The clearance should be done during the last month before retirement. In addition, networking of IPPD with KRA and Pensions Department should be explored.

12. It takes a long time to contact retirees when secondary information is required from them. Whenever the Pensions Department raises an issue on a claim, such issue is communicated to the originating Department. The Team observed that Ministries take a long time to contact the retirees and in some instances wait until the retirees go to follow such claims.

The Director of Pensions should take charge of all queries raised on the claim once it has been received at the Department. Any queries raised should be directed to the retirees and copied to the originating Department. In addition, the Commissioner General should contact retirees who may have tax arrears directly in order to shorten the process. This is because in some instances the arrears may not be linked to incomes earned from the employer. Thus the form requesting for the tax clearance certificate should be modified to include the retiree address, telephone and email numbers.

13. The originating Ministries take a long time in following up the claims and files sent to the Pensions Department. At the time of the Examination, there was a pile of files from various Ministries at the claims office. Some of the files had returned claims due to some errors which needed to be corrected before the claim could be processed by the Pensions Department. The Team noted that claims remain unattended for a long time.

The Director of Pensions should ensure that claims are verified and cleared within the specified schedules to enable Ministries to collect files for action where necessary. This could be addressed through implementation of recommendations under finding number 6 Section 3.2.1 of this Report.

b) Delays at the Pensions Department

14. At the Pensions Department, processing of a claim goes through approximately 15 steps. At each of the stages, individual officers check the documents all over again. Despite the numerous checks, some files are returned back for correction even at the approval stage. Some files take very long in one section particularly when there is no one to follow them. The Team noted that there were several claims which had not been processed due to various reasons.

The Director of Pensions should review the current pension's processes with a view to reducing the lengthy cycle. Some of the steps for example in the claims section could be merged as recommended under finding number 6 Section 3.2.1 of this Report.

The Director should further reassess all pending cases in order to provide a lasting solution and to reduce further suffering of the pensioners and dependants.

15. Once a claim is processed up to payment level, it is stamped "paid" and a letter is sent to the pensioner indicating the amount paid. However at that point, payment has not yet been made. This gives incorrect information to the pensioners/dependants. The Team observed that in some instances some claims take as long as three months to be paid after the claim has been stamped.

The Director should ensure that the payment stamp is made on the claim after the lump sum cheque has been written and the retiree has been entered in the payroll. The stamp should indicate the serial number of the payment voucher and the cheque number. The notification letters to pensioners should be dispatched after the payment is posted to the pay points.

16. The claims section maintains a register for recording claims that are fast tracked by senior officers in the Department. This practice is not only interruptive but also encourages discriminatory service and possible exploitation of the pensioner. As stated above, this practice is

widespread in the Department and is a major cause of corrupt practices and delays.

The Director of Pensions should prohibit through Notice the practice of prioritizing certain claims due to interventions by certain clients. This will help in handling claims on a first come first served basis and also in reducing the perennial backlog of the cases.

17. All death gratuities except in the cases of military officials are paid through the Public Trustee. The practice was adopted by the Pensions Department to avoid cases of paying wrong beneficiaries since it lacked the legal machinery to vet the dependants. However, payment through the Public Trustee takes too long as all legal proceedings in the process of identification and issuance of letters of administration takes too long. The Team was informed that under normal circumstances, the proceedings take a minimum period of eight months.

The Director of Pensions should process payment of death gratuity using the names of the dependants listed in the deceased bio data forms after undertaking due diligence. This will be enhanced through deployment of State Counsel in the Department who should verify documents to facilitate payments to the identified dependants.

18. The Pensions Department requires pay slips from dependants as evidence that the deceased was a contributor to the Widows and Children's Pension Scheme (WCPS). For instance there are situations when the Department asks for the first and last pay slips of the deceased. Sometimes dependants are required to provide pay slips for the last three years of service. This increases delay in processing the claim for dependants who may not know where to find such documents.

    In some instances, tracking the pay slips from the pay rolls in the Ministries is difficult as they are poorly maintained making retrieval difficult.

Where the deceased is a pensioner, the Director of Pensions should use the documents provided at the time of processing pension for payment of WCPS in addition to the legally required documents for proof of heirs. In addition, the Permanent Secretary Ministry of State for Public Service should enforce Circular No.2/2004 Ref No.OP/CAB13/10avol.1 which proposed various interventions including cumulative capturing of WCPS contributions on the monthly pay slips of the *contributors. Further, appropriate management of the payrolls should be ensured. This will help in the payroll reconciliation.*

19. The Team observed that the Department makes many errors in posting payments. These include wrong account name, wrong pay point and wrong bank code among others. This occurs even when the pensioners have provided correct information to the Department. When this happens, the banks return the payments which are taken to the old cases Section of the Pensions Department. The Department does not communicate to the pensioners and waits until the pensioners go to the Department to follow the payments. Most pensioners interviewed observed that the old cases Section is poorly managed and that they are often coerced to give bribes in order to be assisted.

The Team also found out that in some instances, officers substitute the forms indicating the preferred pay points by the retirees after the approval stage and insert different forms indicating different pay points. This fraudulent substitution of forms is facilitated by the fact that once the banks effect payments, it is impossible to recover the money paid out.

The Director of Pensions should ensure that a proper tracking system is put in place for all the files before and after approvals for payments. The Director should carry out investigations and take appropriate disciplinary action against officers who may be involved in the fraudulent activities involving diversion of payments through change of accounts.

In order to enhance accountability in the payment process, the Chief Accountant and the Chief cashier should be held personally responsible for tracking payments whenever pensioners report that their dues have not been received at the pay points. If such payments cannot be tracked the Accountant and the Cashier should be surcharged through recovery of such amounts from their salaries.

20. The Team observed that officers of the Department generally exhibit low morale and lack of enthusiasm in carrying out their duties. This has led to corrupt practices as the clients opt to offer them bribes as a way of motivating them.

The Director of Pensions should endeavour to motivate the employees through regular departmental and sectional meetings, improved communication to them on matters of policy and personal initiatives in visiting the work areas and open discussions on matters that concern the employees.

21. In the Assessment Section, it is the practice that once an officer works on a particular file, the name of the officer is indicated on the inside of the file cover. This is because whenever there are follow ups on the same claim, only the same officer can handle the cases. This exposes the pensioners and their dependants to exploitation. Furthermore, where careless and deliberate mistakes are made, the officer may not rectify the mistakes in order not to expose himself or herself.

The Director of Pensions should review the practice of writing the name of the assessment officer in a pensioners file and institute regulations to encourage a system whereby any qualified officer may work on a file as need arises. This will ensure that there are no delays in follow-up cases and officers are careful in making assessment on pension awards.

3.4.1 Teachers Service Commission and Department of Defence

1. The Pensions Department has attached four officers to the Teachers Service Commission to assist in checking claims and requisite documents to ensure that they are correct before forwarding them for processing. The rationale for this arrangement is that there are many retirees from the Teachers Service Commission (TSC). Despite this arrangement numerous claims are returned to the Teachers Service Commission due to errors and lack of requisite documents.

The Director of Pensions should recall the pensions officers back in order to conduct their duties of receiving and checking Teachers Service Commission documents at the Head office. This will ensure impartiality and closer supervision of the officers.

2. The Examination Team noted that Pension officers attached to the TSC verify and stamp claims and then submit them back to Teachers Service Commission for signature by the Authorized Officer of the TSC. This is contrary to standard practice where the Authorizing Officer is supposed to sign the claim before it is submitted to the Pensions Department. This

practice creates an opportunity for alterations of the claim after verification.

The Director of Pensions and the Teachers Service Commission Secretary should streamline this anomaly in order to ensure that claims passed on to the pension unit have passed all other processes. As recommended above, the claims should be verified at the offices of the Department of Pension.

3. Several officers of the Teachers Service Commission sign the forwarding letters for submitting pension claims to the Pensions Department. This opens avenues for forgery of documents.

The Director of Pensions should only act on claims that are authorized by the officers whose signatures have been forwarded to the Pensions Department by the Secretary Teachers Service Commission. This will ensure authentication of the claims coming from the Teachers Service Commission.

4. Teachers who leave the Commission and wish to continue being eligible for pension after retirement submit 31% of their salaries to TSC. This is collected at the Revenue Section of the Teachers Service Commission. The Team noted that this money is not always forwarded to the Pensions Department. Thus some teachers end up losing years of service upon retirement.

The Teachers Service Commission Secretary should ensure that all monies pertaining to the 31% deduction is remitted to the Pensions Department on a monthly basis. A record of the transaction should be created and maintained at the Teachers Service Commission with signed copies to the Pensions Department.

5. The Department of Defence (DOD) has a liaison Unit which operates within the Pensions Department. The Unit receives claims from DOD, ascertains their accuracy, and then forwards them to the Pensions Department for processing. The Team observed that in spite of this arrangement, many queries are still raised in respect of claims from the Department of Defence.

   The Unit handles approximately 35 claims each month. However, at the time of the Examination, the Unit had 11 officers from the military. Thus majority of the officers were idle and some had been distributed to serve in other areas of the Pensions Department.

The Director of Pensions in liaison with the Permanent Secretary Ministry of State for Defence should reconsider the rationale for establishing the Unit and make the necessary changes on the Unit. In addition, the number of staff serving in the Unit is too large compared to the claims handled every month. Thus the Permanent Secretary should review the staffing of the Unit in order to realign it with the amount of work done. It is recommended that DOD maintains a small Team of about two to three officers to work on a rotation basis.

6. Due to the arrangements in handling pension matters from the Teachers Service Commission and the DOD, claims from the two Departments are received at the Pensions Department without the retirees' personal files. The personal files are required for authentication of documents, verifying progress in service such as promotion and designations and to ascertain that the retiree was indeed an employee of the Public Service. Failure by the Pensions Department to verify information on the claim forms and other documents coming from TSC and DOD creates an opportunity for processing fake claims and conferring wrong awards.

The Director of Pensions should ensure that there is an appropriate mechanism for verifying claims coming from the two Departments. Military files should be open for scrutiny to the pension officers for verification. This will be achieved through ensuring that the claims are received in the same manner as claims coming from other Departments.

7. Death gratuity for Military Personnel is paid directly to the dependants as provided for by the Armed Forces regulations. However a lot of complaints are received from various dependants accusing the Pensions Department of paying persons who are not known to the next of kin.

The Permanents Secretary Ministry of Finance in conjunction with the Director of Pensions should create a Section to handle cases of gratuity and other benefits related to a deceased person. The key professions to serve in this area should be qualified in legal training and experienced in litigation. (This is in line with recommendation under finding number 5 section 3.2.1 of this Report).

3.5 FINANCIAL MANAGEMENT

The Department's Accounts section is divided into six subsections, namely:

a) New cases
b) Cash office services
c) Revenue
d) Payroll
e) Ledger and final accounts
f) Bank Reconciliation

The following weaknesses and irregularities were observed in this section.

Staffing of and Structure of the Accounts Section

1. The accounts section is not adequately and appropriately staffed. The section has 41 employees against the approved establishment of 61. Out of the 41 employees, there are only 3 qualified Accountants.

   At the time of the Examination, the Chief Accountant heading the section was not a fully qualified accountant. He was thus not bound by professional codes of ethics and conduct issued by ICPAK and international accounting bodies. This limits the Department's ability to formulate adequate policies and guidelines to manage its financial matters including its immense budget which stood at Kshs.23,340,810,635 during the 2007/2008 financial year. In addition, the ability of the Department in detecting and preventing high level accounting fraud and corruption is constrained.

   Officers running the Payroll sub-section lack the necessary experience on payroll management despite handling huge payrolls. This is exhibited by the poor control mechanisms, omissions and possible fraudulent activities and manipulations detailed in this Report.

   Most of the accounts staff have overstayed in the Department and in the same sub-section. This creates over familiarity with the systems and avenues for the employees to engage in corrupt practices.

The Permanent Secretary Ministry of Finance, Financial Secretary and the Director of Pensions in conjunction with the Public Service Commission should deploy more senior, experienced and fully qualified accountants to head and supervise the operations of the section. Due to huge budgetary allocation to the Department for payment of pension, the section should be headed by an accountant of the level of Principal Accountant I, job group P.

The Permanent Secretary should further ensure that Accounts officers are frequently rotated as a way of enhancing productivity and reducing possibilities of syndicated corruption.

2. The Accounts Section has no proper structure of delegation and reporting. Some members of staff report to their supervisors while others report directly to the Chief Accountant. This creates confusion in the supervision of staff and operations of the Section. As a result some accounting records and books of accounts such as bank reconciliation statements, cash books, cash payment registers and stores ledgers were not being checked by the supervisors and Chief Accountant as no one took responsibility to do so. This could result in non detection of errors and irregularities in the maintenance of these records.

The Director of Pensions should review the structure of this section to ensure that there are clear supervision and reporting structures in place. The Director should ensure that there is adequate supervision and checking of accounting records and books of accounts by the supervisors and Chief Accountant.

Accounting Manuals and Guidelines

3. The Department has not developed accounting policies and procedures manuals to guide operations of the accounts section in spite of the uniqueness of its financial processes. This leads to uncoordinated operations of the section and creates avenues for corrupt practices.

The Director of Pensions should ensure that comprehensive accounting policies and procedures manuals are developed and implemented. The manuals should outline the accounting policies and procedures applied in processing of pension benefits.

Suspense Account

4. The Department has accumulated a huge suspense account over a long period of time as a result of returned pensioners' cheques whose owners have not yet been traced and paid. The cheques are returned due to:

- Closing of known accounts or change of pay points by pensioners
- Failure by Pensions Department to make quick changes of pay points as may be requested by pensioners.
- Errors in posting the cheques and pension dues. This includes wrong account names, numbers, bank name and codes among others.
- Delay by pensioners in collecting their pension dues at the designated pay points.

As at 30th May 2007, the accumulated balance on this suspense account No. 970-320-732119 stood at Kshs465, 574,796.30. Once the pensioner provides the correct bank account, payments are made from the suspense account. However, this account has not been reconciled since inception. This creates a loophole as returned payments can be fraudulently paid to wrong payees.

The Director of Pensions should ensure that the suspense account is reconciled and names of pensioners whose benefits are being held published in the local daily newspapers. Thereafter, monthly reconciliations of the suspense account should be carried out, clearly detailing the pensioners paid from this account and those whose cheques were returned.

5. The returned cheques contain details of pensioners. However, in most cases no communication is made to pensioners when cheques are returned. Instead, as earlier stated, the Department waits for pensioners to go to the Department offices to make follow up on such payments even when cheques are returned due to mistakes by the Department such as failing to indicate correct bank account or bank codes. In some instances, the Department writes to pensioners using the last known address and finds that the pensioners had changed the addresses. This has contributed to the continuous growth of the suspense account from one payroll to another.

The Director of Pensions should design an appropriate form to capture all details of reaching the pensioners such as telephone numbers of the pensioners and next of kin or any other person who can be contacted, e-mail address, postal address of their local chiefs or assistant chiefs, among others. The details are necessary to communicate to the pensioners in case their dues are returned by banks.

The Director of Pensions should instruct the banks to clearly give the details of the pensioners whose dues are returned to the Department. The details should include the reasons for return of the cheques in order for the Department to easily make corrections where it may be possible to do so and to post these dues without waiting for pensioners to follow them up. As such only those cheques that the Department is unable to redirect to the right pay points should be taken to the old cases section.

Closure of District Commissioners Payroll System

6. In March 2002 the Department stopped making payments to pensioners through the District Treasuries under the District Commissioners. However, there was no formal hand over and reconciliations of the payrolls at the District Treasuries. It is therefore difficult to ascertain whether or not the District Commissioners returned all the payrolls and accounted for all the monies at the closure of the district pensions pay points. Further enquiries from sampled District Treasuries across the Republic shows that some of these payroll records are still being held by the District Commissioners which make it difficult for the District Accountants to account for any uncollected payments. The Kenya National Audit Office Report of 2003/2004 financial year indicated that as at 30th June 2004, Kshs 14,141,054.45 had not been accounted for and no explanation or reconciliation had been carried out. Some of the Districts, for instance Nakuru**,** did not surrender the payrolls to the Department because they were missing. The Internal Audit section also did not carry out any comprehensive audit of the closing down of District Treasury pay-points and reconciliation of the payrolls. This is an indication that the pension funds could have been misappropriated.

The Director of Pensions should initiate a comprehensive audit of the closed District Treasury pay points and ensure that formal hand over of the payrolls and reconciliations in all District Treasuries are carried out. Any uncollected payments currently held at the District Treasuries should be surrendered to the Pensions Department.

Bank Reconciliation Statements

7. The Department used to rely on Government information Technology Services (GITS) in the preparation of bank reconciliation statements. However, the system used by GITS to prepare the bank reconciliation statements collapsed in the 1990s resulting in loss of a lot of data. As a result, no bank reconciliation statements were prepared between 1994 and 2004. When the Department revived the preparation of bank reconciliation statements, it set a cut off date of 1st July 2004 and 1st September 2004 for the Recurrent and Deposits accounts respectively. At the time of

concluding this examination, preparation of the bank reconciliation statements for the Recurrent and Deposits accounts were up to date. The following observations were made from the July 2007 reconciliations:

Recurrent Account

8. There is a large list of un-presented cheques amounting to Kshs 169,802,325.50 some of which date back to July 2006. These are cheques dispatched to various institutions for payment of particular pensioners but they have neither been presented to the bank for payment nor returned to the Department. Several cheques on this schedule are already stale and require replacement. However, the Department has not made any effort to contact the institutions to establish the status of the said cheques even though they are known to them.

The Director of Pensions should contact the institutions with stale un-presented cheques to remit them to the Department. Once this has been done, the Director should communicate with or publish the names of pensioners whose benefits have not been paid as a result of the cheques becoming stale.

9. There is a balance of returned cancelled CFS stale cheques amounting to Kshs 65,769,688.35 being reflected as receipts in the cash book not yet in the bank statement. They represent the reversals of the cancelled pension payments in the cash book. This arises due to the Department's previous system of maintaining cash books. According to the system the cash book was being closed at the end of each financial year, without any balances being carried forward such that at the beginning of a new financial year the opening balances were zero. Whenever a cheque relating to a previous financial year was returned, it was cancelled, receipted and debited in the cash book. However, this was a mere book entry as no money was received when the cheque was cancelled. The unpaid money was being surrendered to Treasury at the close of the respective financial year. This led to there being receipts in the cash book that would not be reflected in the bank statement. Some of the pensioners whose cheques were cancelled have since been paid from the current financial year's budgetary allocation for payment of pensions.

   There are also receipts in the bank statement that are not reflected in the cash book amounting to Kshs.127, 123,101.30. They represent reversals of uncollected pension cheque payments made in the previous financial year's bank statement. When a payment is reversed by the bank, the department's bank account is credited with the respective amount. When it relates to the previous financial year, there will be no corresponding debit in the current financial year's cash book to cancel out the transaction. This will lead to there being receipts in the bank statement that are not reflected in the cash book.

The Department has changed the above outlined system of maintaining cash books with effect from 2007/2008 financial year. In the changed system, the Department carries forward closing balances in the cash books from one financial year to the next financial year and the bank reconciliation statements are prepared monthly. However, the balances reflected as receipts in the cash book not yet in the bank statement and receipts in the bank statement that are not reflected in the cash book are still being carried forward in the bank reconciliation statements. These figures are totally misleading as they do not reflect the true position.

The Director of Pensions in conjunction with the Financial Secretary should review the reconciling items (receipts in the cash book not yet in the bank statement and receipts in the bank statement that are not reflected in the cash book) in the bank reconciliation statements with a view to writing them off so as to reflect the true position.

Deposit Account

10. This account is used to deposit contributions by members of the contributory pension schemes working with parastatals and other employers and the WCPS (31% and 2% of the basic pay respectively).There is a balance of Kshs 5,324,560.75 in the bank reconciliation statement being reflected as payments in the bank statement not in the cash book. This represents cheques drawn by various institutions that are deposited in the Department's bank account but are rejected (refer to drawer (R/D). The Team was informed that the Central Bank of Kenya (CBK) sends such cheques directly to the drawers instead of the Department for reversal in the cash book and onward transmission to the respective drawers for replacement. This anomaly was detected recently. This implies that the accumulated balance in the deposits cash book for account numbers 4-869-101-0000010 and 4-869-100-000008 amounting to Kshs. 777,695,719.80 does not reflect the correct contributions from various institutions as the R/D cheques are supposed to be reversed in this cashbook. In addition, given that the Department relies on the originating Departments to compute payments on these schemes, the Department may have been paying pensioners when their respective contributions have not been received due to the above mentioned R/D cheques. As at 1st September 2004, there was a difference of Kshs 179,878,667.40 between the cashbook and the bank statement. This difference had not been reconciled at the time of the Examination.

The Director of Pensions should liaise with the CBK to extract details of the R/D cheques returned to the drawers without the Department's knowledge and commence discussions for their replacement where it is established it was not done. CBK should be instructed to return R/D cheques to the Pensions Department which is the payee as the standard banking practice requires. In addition, the Director should ensure that reconciliations are carried out to establish the cause of the difference of Kshs 179,878,667.40 between the cashbook and bank balance.

Management of Cheque Payments

11. The controls over signing of cheques by the various accountants are inadequate. The accountants do not have thresholds of the amount of money they can sign for. Segregation of duties is also lacking since the accountant in-charge of payroll is also an authorized bank signatory. Furthermore, there is no other signatory outside the Accounts section which reduces the internal checks by other sections.

In the cheque payment section the Team noted a number of weaknesses which can be exploited to facilitate corrupt practices. Some of the weaknesses were in the following areas:

Cheque payments

There is no system for detecting double payments.

Tracking cheques

The section lacks an appropriate system for tracking cheques from registry to the Chief Accountant's office. This creates a loophole whereby cheques can be intercepted by unscrupulous officers before reaching the desired destination and used to extort bribes from pensioners.

Handling cancelled cheques

There is a poor method of handling cancelled cheques. Some of the cheques are mutilated while others are not. Furthermore, some of the cheques are cancelled in pencil.

Supervision

There is inadequate supervision of the section by the Chief Accountant.

ICT

- The System has weak controls as it allows for change of new files including name and amount. This can be used for fraudulent purposes.

- ICT officers can make changes directly without approval from the Finance Section.

- Reversals and other changes can be made without being detected. In addition, reversals and other changes are made without there being a record.

Administrative computer and financial controls are inadequate and therefore this Section is managed on the basis of trust. However the Department is developing a new Pension Management Information System (PMIS) to overcome some of the weaknesses outlined above.

The Director of Pensions should ensure that:

- *controls over signing of cheques are instituted such that Accountants are assigned thresholds*
- *there is adequate supervision by the Chief Accountant in processing of cheques*
- *There is segregation of duties such that the payroll Accountant is not a signatory to cheques. The Director should also include other signatories outside the Accounts section.*
- *A proper system for tracking cheques that documents movements from the Chief Accountant up to the registry is put in place.*
- *The new PMIS being developed should have edit checks to prevent change of name and amount, audit trails and segregation of duties between ICT and finance officers.*

Payments through Public Trustee

12. There is no follow up for cheques sent to the Public Trustee to ensure receipts are issued and filed in respective pensioners' files. In other cases vital authorizations on the cheques are not confirmed before dispatch leading to cheques being dishonored for simple reasons such as wrong signatories or lack of endorsement by other signatories. At times cheques are sent without details of the next of kin or vouchers. Such omissions cause unnecessary delays and create room for dependants to be exploited.

The Director of Pensions should ensure that all cheques sent to the Public Trustees are receipted and receipts filed in the respective pensioners' files. In addition, the Director should enhance checking of all relevant details on cheques before they are dispatched.

Investments

13. Officers seconded from the Central Government to other Government agencies contribute 31% of their basic salary to the Pensions Department. The Department also receives 2% of the basic pay under the WCPS. The Department does not invest these contributions but banks them with the CFS account at the Central Bank. It was observed that there is no qualified staff to handle investment. As at 10th August 2007, the accumulated contributions as per the cashbook for accounts 4-869-101-0000010 and 4-869-100-000008 amounted to Kshs 777,695,719.80.

The Permanent Secretary Ministry of Finance should ensure that the scheme deposits are separated from the Central Bank CFS account and managed separately. In addition qualified investment staff should be deployed in the Department to handle the investment portfolio or a fund manager appointed to prudently invest on behalf of the Department.

3.6 PAYROLL ADMINISTRATION

Access to Pensions Management Information System

1. The Department utilizes the Pensions Management Information System (PMIS) software to process its payroll. At the time of the Examination, the Chief Accountant and Senior Accountant did not have access to the accounting modules in the PMIS. The officers therefore approve payroll payments without verifying the authenticity and integrity of the transactions. This creates a loophole which can be exploited by the ICT officers to enter fraudulent entries into the system which could be approved for payment without being detected by the accounts staff.

The Director of Pensions should ensure that the Chief Accountant and Senior Accountant have access to accounting modules of the PMIS in order to enable them authenticate the transactions in the system before approving the printed documents. The access should be limited so that no changes can be made by individual officers.

Preparation of the main payroll

2. The main pensioners' payroll is prepared at the Government Information Technology Service (GITS). Data for the payroll is captured within the Pensions Department and forwarded to GITS. However, the Department has no control of the payroll since the officers in the data capture section are from GITS. This creates a loophole for manipulation of the payroll and possible inclusion of non existent pensioners without the knowledge and approval of the Accounts Section.

The Director of Pensions in conjunction with the Financial Secretary should ensure that main payroll data capture activities are domiciled in the Pensions Department and carried out by the Department's staff.

Payroll Checks

3. There are inadequate Payroll checks. The Department only concentrates on the approved amendments made on the payroll. In addition, post-payment reconciliations to ensure that what is paid agrees to the checked and approved payroll are not carried out. Consequently, it is not possible to detect irregularities which may be introduced in the system fraudulently without being captured in the approved amendments.

   The banks through which pension payments are made collect soft copies of the Payroll from GITS. The Pensions Department is given a hard copy of the payroll. The Department does not verify contents of the soft copies of the payroll given to the banks. As a result, any anomalies that may be included in the soft copy will not be detected. For instance though the Chief Accountant had approved the payroll for March 2007, the soft copy for the Post Bank had several pensioners with missing bank account numbers while the hard copy given to the Department had the pensioners' proper account numbers.

The Director of Pensions should also ensure that monthly reconciliation of the hard and soft copies of all payrolls is carried out. In addition, post payment reconciliations should be carried out to ensure that payments made were as per the approved payroll.

Primary Database for Pensioners

4. The Department does not have a primary database of pensioners who are in the main payroll and dependants in the dependants' payroll. The Department also does not reconcile data of retired officers from the Ministry of State for Public Service and the claims processed as a measure of ensuring genuine claims have been processed in a particular period. The Department relies on the data in the system to reconcile its number of pensioners and dependants. This is an indication that the Department might not detect 'ghost' pensioners and dependants who may be introduced in the payroll fraudulently.

The Director of Pensions in conjunction with the Permanent Secretary Ministry of State for Public Service should ensure there is a database of pensioners and dependants besides the data in the payroll. Data of retired officers from the Integrated Personnel Payroll Data (IPPD) system should be used to create the database. The data should be regularly updated when new pensioners are entered into the system. The Department should be able to use the database to reconcile its payroll on a regular basis to be able to detect unauthorized entries in the payroll.

Introduction of Dependants

5. When a pensioner dies, he/she is supposed to be deleted from the main payroll and the qualifying dependants introduced into the dependants' payroll. However, the dependants' payroll sub-section does not confirm that the deceased pensioner has been deleted from the main payroll, before introducing dependants into the respective payroll. This is due to poor coordination between the main payroll and the dependants' payroll sub-sections. This creates a loophole that can be used to introduce undeserving persons into the dependants' payroll without deleting pensioners from the main payroll and paying the undeserving persons.

The Director of Pensions should ensure deletion of dead pensioners from the main payroll is confirmed before introducing dependants into the payroll. Furthermore, additions and deletions into and from the pensioners and dependants payrolls should be reconciled and be well documented.

Data Encryptions and transfer system

6. The Central Bank of Kenya (CBK) has provided the Pensions Department with an encryption system which is used to encrypt a soft copy of list of the cheques payable through CBK. The encrypted list is used by CBK to verify genuine cheques emanating from the Department. The data is downloaded by the ICT Officers and encrypted by the senior accountants. However, the accountants do not have access to the accounting module of the PMIS hence they encrypt data that they have not verified. This creates an avenue that may be used by ICT officers to make alterations to the cheque payments.

The Director of Pensions should ensure that the Accounts Section is able to access all the information on cheque payments in order to make verifications before encryption is done. This will enhance accountability of the data encrypted in case of any malpractices.

7. To ensure security of data, some of the banks have installed encryption software in the Department for the purpose of encrypting payroll data before being sent to the bank. However, the encryption system suffers from several weaknesses that include the following:

- The system is administered by more than two ICT officers who share the generic username and password supplied by the banks. This leads to lack of accountability in administration of the system.

- The generic user name and password supplied by the banks is widely known and can be used for unauthorized access into the system.

- The Department sends a cheque and a soft copy of the payroll to various banks when making monthly payments. The ICT officers prepare the soft copy of the payroll data used by banks to transfer funds electronically. The system is administered by the ICT Section without the involvement of the accounts section in administration of the encryption software. This arrangement confers the ICT Section with the discretion which may be used to manipulate data.

- Data sent to some of the banks is not encrypted. This compromises the security of the data and creates a loophole for illegal entries into the data.

- Data encrypted is stored and transported on diskettes to banks. Transfer of data in diskettes may lead to repudiation since it can be easily replaced.

- There is no mechanism to confirm that the figures uploaded into the encryption system are the same figures downloaded from the payroll system. This creates a loophole for encrypting information that did not originate from the payroll system.

The Director of Pensions should enhance the security of the funds transfer system through ensuring the following:

- *The system has dual administration functions specific to either the IT and accounts Sections.*

- *Each user has individual user names and passwords. Thus the generic user name and passwords should be disabled.*

- *Duties involving capturing payment data and those involving verification of the payment data and approving of the data are segregated.*

- *The responsibilities for approving payments in the system should not be undertaken by the officers responsible for bank reconciliation.*

- *Data encryption is done in the computer memory and sent online to the respective banks. This will enhance authenticity and non repudiation. The system should have inbuilt mechanism to ensure encrypted files cannot be saved in the computer hard disk. These procedures should be applied in all IT systems that are used to make payments electronically.*

Payroll Reconciliation

8. Deletions and additions to the Main Payroll are prepared by the Payroll officers using relevant forms and are effected by the ICT staff. However, the Department does not carry out monthly payroll reconciliations to analyze the monthly changes occasioned by the deletions and additions to the payrolls. In the absence of monthly reconciliations it is not possible to ascertain that all changes effected by the ICT staff originate from the Payroll section and are authorized. Furthermore, it is not possible to tell whether all authorized changes are effected. This creates an opportunity for illegal entries into the payroll and omission of some authorized changes. For example, in June 2007, there were 139 authorized deletions forwarded to the ICT Section from the Main Payroll section. However, only 120 pensioners were deleted as per the computer printout of the payroll. This is an avenue through which the Department could be losing colossal sums of money. A further illustration of failure to reconcile payrolls is provided by an analysis of the payroll for the months of June to August 2007 that shows variances in the number of pensioners in the payroll as summarized in the table below.

Table 1: Analysis of June to August 2007 Pensions main payroll

Month	**Actual no. In payroll**	**No. Introduced**	**No. Deleted**	**Expected no in payroll**	**Variance**
May	135,691	933	122		
June	135,572	643	120	136,214	(642)
July	136,345	122	345	135,349	996
August	137,386	958	113	137,190	196

Source: Pensions main payroll data

The Director should ensure that reconciliations for variances in the Main Payroll outlined in the table above are carried out and adequate explanations given by the ICT staff. In addition, the Director should ensure that the Payroll Accountants carry out monthly payroll reconciliations. This should include creating an independent sub section to deal with the payrolls reconciliations. Further a comprehensive audit of the *number of pensioners should be initiated for previous periods to authenticate the fluctuations in the payroll. In addition, the Director should take the necessary disciplinary action against officers found to be involved in any irregularities.*

9. The Department does not maintain all the essential information necessary for carrying out reconciliation of the dependants' payroll. The only available information is the monthly total number of dependants and new entrants. The Department does not maintain information on deletions which is an important component for carrying out payroll reconciliation. This omission is a loophole that can be used to retain some dependants beyond the required periods or to replace those due for deletion with others illegally. In the absence of the information of deletions illegalities are not easily detectable.

The Director of Pensions should ensure that the Dependants' payroll sub section maintains all the basic records/data such as additions and deletions necessary for the payroll reconciliation.

Payroll Changes

10. The Dependants' payroll sub section processes payments for various dependants categorized as; 5PN, BPN, WDG, 5DG, BPP, among others, in one payroll. Deletions to the payroll are approved by the accounts section and carried out by the officer in charge of the sub-section. The system in use does not generate deletions report for all the schemes handled in a given month except for the 5PN scheme. Even for the 5PN scheme, the system must be commanded manually for it to effect deletions and generate the deletions list. The sub section also does not maintain any record containing all the monthly deletions from the payroll. The same officer responsible for deletions also carries out the duty of changing pensioners pay points. Given that no monthly reconciliations are carried out on this payroll, this presents an excellent opportunity to include undeserving persons in the payroll and diverting the payments to different accounts.

The Director of Pensions should ensure that monthly details/schedules of deletions for all schemes are maintained by the payroll section. There should be adequate segregation of duties among officers who are responsible for:

- *deletion or additions to the payroll and*
- *changing pensioners pay points*

11. The Dependants' Payroll system does not automatically tally the age of minors to determine when they attain the age of majority so as to

determine whether they should continue to receive benefits in accordance with section 2(a) of the Widows and Children's Pension Act. Instead the deletion is done manually by the officer in charge of the dependants' payroll. The data indicating when the dependants will have attained majority age is not maintained. This creates a loophole which can be exploited by dependants who have reached the age of majority and are no longer eligible for pension. This loophole can also be exploited by payroll officers either through omission or collusion with the dependants.

The Director of Pensions should ensure that the system is up graded to automatically tally the age of the minors and facilitate the necessary action to ensure that dependants who cease to qualify for pension are deleted from the payroll. All deletions should be properly documented and monthly reports generated.

12. Additions in the Dependants' payroll are not documented by the payroll officer in charge. There is also no designated form or document on which all additions are recorded and approved before being posted into the system. This is a weakness that may be used to fraudulently make additions on the payroll.

The Director of Pensions should design unique forms for each change to the payrolls. All changes, additions, change of pay points and reinstatement of amounts should have separate monthly schedules to enhance accountability.

13. The Examination Team observed that it takes a very long time for the Pensions Department to amend the payroll in accordance with the returns from the Post Bank. Several cases of deceased pensioners remained in the payroll for many months despite the branches writing to show that the pensioners are dead. This causes unnecessary workload and may lead to misappropriation of such payments.

The Director of Pensions should ensure that the ICT Officers effect authorized deletions from the payroll. A comprehensive audit should be carried out for previous periods to determine the extent of such omissions. The ICT staff should provide an explanation for such anomalies and in cases of fraud, disciplinary action should be taken against officers involved.

The Director should also ensure that feedback mechanism is enhanced so that the payroll is updated immediately with field returns on deaths and other payroll adjustments.

Payroll and bank account numbers

14. The Department assigns unique pension numbers for each dependant in relation to one deceased person. These numbers are captured in the payroll. However the Team noticed that in certain situations one number is allocated to many dependants in the dependants' payroll. Furthermore, an analysis of the main payroll data revealed that there are cases where pensioners have different payroll numbers but the names and account numbers are the same. This indicates that there are pensioners who are receiving double payments. This is an avenue that can be used to illegally introduce persons who are not dependants or pensioners in the payroll.

The Director of Pensions should institute a comprehensive audit of the dependants and main payrolls with a view to identifying all cases of double payments and other duplications and institute recovery of any funds illegally paid.

15. The Department's computer system for preparing the payrolls sent to certain banks captures the pension number and account number as the only unique identifiable features. As such the bank does not verify the names corresponding to the account numbers in crediting the payments. This creates an opportunity for diversion of funds.

The Director of Pensions should ensure that each pensioner has a bank account through which the pension is processed. Furthermore, the Director should liaise with the banks to ensure that both the Pensioners' and banks' data are interfaced to ensure that payment is made to the correct pensioners' accounts.

16. The Department has a policy that prohibits payments through joint bank accounts. As a result each pensioner is required to provide an individual bank account. However, a brief analysis of the main payroll revealed that there are cases where more than two pensioners are paid using one bank account. This creates an avenue where funds can be diverted.

The Director of Pensions in conjunction with the Director GITS should ensure that the payroll system is reviewed to detect duplicate bank accounts. Pensioners sharing bank accounts should be required to open separate accounts as per the Department's policy.

Incomplete pensioners' details

17. Both the dependants and main payroll reveal that there are several situations in which the payee account numbers are missing. When such a payroll is submitted to banks for payments the affected pensioners are not paid. For instance the number of pensioners whose account

numbers were missing in January, February and March 2007, were 33,552; 34,079 and 30,441 respectively.

The Team noted that in some instances banks liaise with GITS staff to change pensioners' details such as account numbers and movement to other banks without the involvement of the Department and the pensioners' approval. This is in breach of the normal standards of operation and confidentiality of pensioners' information. In addition this creates an opportunity for collusion between bank staff and GITS staff to divert money to wrong bank accounts. Since payroll returns from the bank are not reconciled, such diversions may not be easily detected.

The Director of Pensions should ensure that no payments are dispatched to the banks if complete details of the pensioners are not available. The Director should ensure that the payroll administrators and the bank employees do not insert pensioners' account numbers manually. In addition, the Director should ensure that the banks do not make any entry to the payroll without written instructions from the Department. This can be facilitated by carrying out monthly reconciliations between payrolls submitted to banks and the bank returns. Furthermore, thorough reconciliations should be carried out to ascertain that the correct pensioners have been paid and that no diversions have been made.

Pensions Payroll Advance Payment

18. In September 2001 the Pensions Department entered into a memorandum of understanding (MOU) with Post Bank for payment of Pensioners and dependants. The MOU required the Department to remit, in advance, amounts estimated to cover 3 months pensioners' payments through the bank. However, after effecting payments, the bank does not furnish the Department with the details of the pensioners paid as per the MOU. The bank only returns uncollected cheques after a certain period of time. The Department does not carry out any reconciliation between the payroll forwarded to Post Bank and returns of actual payments made. This makes it difficult to confirm the actual recipients of the payments released from the Department. In some cases the payrolls for both dependants and main payroll do not balance with cheques paid to the Bank. For instance, during the month of July to September 2006. This can be an indication that some payments may be made outside the payroll. This is a loophole which the Department's or bank staff could use to collude in order to divert pensioners' payments or facilitate payment of ghost pensioners. At the time of the examination, Post Bank was demanding payment of Kshs 295,494,234.80 being underpayments for January 2006 (Kshs 16,110,510.60) and July to September 2006

(Kshs 279,383,724.20). However, the Department had not carried out reconciliations to ascertain the veracity of the demand.

The Director of Pensions should ensure that proper reconciliation is done before payroll approval is made and that payroll control totals are balanced with the total cheque amount paid to the bank. There should be segregation of duties between the officer reconciling and the officer making the payment.

The Director should also ensure that post payment reconciliations are carried out for all payments made through banks. All banks should be asked to provide details of all payees. In addition, the Director should ensure a proper reconciliation is carried out to establish the accuracy of Postbank's claim.

Delay in remitting monthly pension

19. In the MOU entered into between Pensions Department and Postbank, an advance payment cheque for three months was to be received by the Bank on or before 15th of every preceding month of the quarter to enable the Bank pay pensioners between 20th and 25th of each month. The three months advance payment arrangement was stopped in October 2006. The department resorted to monthly payments. Currently, the cheque is received at Postbank by the 20th day of every month instead of the 15th day of the month as stated in the MOU. This leads to delays in pension payments as the Bank is unable to adhere to payment of pensioners between 20th and 25th of each month. At times the pensioners and dependants make several visits to banks to check on their monthly pension dues. The Team was informed that in some instances some banks have had to give loan advances to take care of the pensioners' fares.

There are cases where the Postbank Headquarters sends the payroll to its branches without sending the cheques or the warrants. This is attributed to printing errors at its head office, although the branches are advised that the cheques would be sent later. This causes delays in paying the affected pensioners.

The Director of Pensions should ensure that the pensioners' and dependants' payroll is prepared and cheques passed on to paying banks in good time to enable the pensioners and dependants get paid on time.

The Director of Pensions should liaise with the Managing Director Postbank to ensure that the pensioners are not penalized due to the Bank's inefficiencies.

Bank Returns

20. Pensioners or dependants are required to open Ordinary Savings Accounts (OSS) popularly known as Kenya Post Office Savings Fund (KPSF) Accounts with Post Bank. Where Postbank has branches the pensioners are paid through 'Warrants'. In areas where the bank does not have branches payment is made through Postal Corporation of Kenya pursuant to an agreement entered by the Postbank and Postal Corporation. Payment by Postal Corporation is made through payroll schedules.

    The unpaid warrants are supposed to be returned to the Post Bank headquarters after 2 months; however some branches retain the warrants beyond the two months. For instance in Nakuru a pensioner passed away on 18 August 2002 but the Branch accumulated the warrants up to February 2007. At times the returned warrants for some months are not accounted for. Likewise the Postal Corporation is meant to make regular returns to Post Bank Headquarters. However, no such returns have been made since 2006. This opens room for misappropriation of uncollected payments.

The Director of Pensions in conjunction with the Managing Director Post Bank should ensure that the payments made either through warranty or cash payroll are reconciled on monthly basis and the returns forwarded to the Pensions Department. This will assist in sealing any loophole where pensioners' dues can be misappropriated.

21. In the MOU signed between Postbank and the Department, it was agreed that Postbank would be giving monthly statements of the amount held in the Pensions Payment Reserve Account which was to be opened by Postbank. All the uncollected payments were to be returned to the Pensions Department after three months. However, the Examination Team noted that when payments are returned, it is very difficult for the claimants to be paid from the Pensions Department. The Postbank prefers to keep the payments for a longer period to enable the pensioners to receive their dues. The returns are made when the Bank is convinced that the pensioner may not come for the payments at all.

    The Pensions Department pays commission to banks that pay pensioners and dependants based on the number of transactions. However, the Department does not carry out verifications on bank transactions before paying the commission since the banks do not submit returns of monthly transactions regularly. The Department fully relies on the statements sent by the banks. This is a loophole through which the Department could be paying excessive commission and part of the unpaid money being retained by the banks or misappropriated.

In cases where the Pensioner dies and has a personal account with the Post Bank, the Bank normally remits the money to the Public Trustee or the District Commissioner. The requirement that the money be returned to Pensions Department is not complied with.

The Director of Pensions should review the MOU with the Post Bank so that the period for returned payment could be extended to be in line with statistical experiences on how long claims take to be received by the Post Bank.

The Director of Pensions should ensure that the banks submit detailed monthly returns stating; the amount received, details of paid pensioners and dependants, total number of transactions, total amount not processed and the corresponding details of pensioners and dependants not paid. Further the Department should independently verify the commission invoices before payments are made.

The Director should also liaise with the Postbank to ensure that the terms of the agreement are adhered to and where difficulties are experienced necessary reviews should be undertaken to improve the payment process.

Returned Warrants

22. At times several warrants sent to Postbank branches to pay pensioners are returned to the Headquarters due to failure of the payees to claim payment. For instance in Kakamega 300 warrants are returned every month. 50% of the returned warrants had been returned more than once and most of them belonged to some pensioners who may have died. There is no timely communication between Postbank headquarters and Pensions Department to stop sending money to Pensioners who are not collecting the money. This results to huge sums of uncollected pension in the Bank.

The Director of Pensions in conjunction with the Managing Director Postbank should come up with a mechanism of analyzing the returned pensions quarterly in order to detect returns that are made more than once. Such information should be communicated to the Pensions Department on time to stop remitting payments in respect of such pensioners.

Post Bank and Postal Corporation of Kenya (PCK) Agency

23. Although Postbank uses Postal Corporation as its agent in payment of pensions in certain areas, the agency relationship is not well structured.

The distribution of the payroll schedules from Postbank to the Postal Corporation Branches is not done through the Postal Corporation Head Office. This creates confusion which delays payment of pensions. It further makes it difficult for the Postal Corporation to reconcile the payments made through their branches. The payrolls for Postal Corporation are printed later after the warrants for those who are paid through the Postbank are printed. The pensioners being paid through the Postal Corporation receive their payments two weeks after the pensioners in the Postbank branches have been paid.

The Director of Pensions in conjunction with the Managing Director Post Bank and the Post Master General should review the agency relationship between Postbank and Postal Corporation to ensure that all payroll schedules for payment of pensioners are dispatched to branches through the Postal Corporation headquarters. Furthermore, the Managing Director, Postbank should ensure that the payroll schedules to be used by PCK branches are prepared and dispatched at the same time that the warrants to Postbank branches are being sent.

Confirmation of pensioners details by Post Bank

24. In payment of arrears or gratuity, some Postbank branches insist on a pensioner presenting the Bank with a letter from the Pensions Department. However there are cases where letters presented to the Postbank bear the stamp of the Department while other letters do not. This makes it difficult to establish their authenticity and may lead to payment of fictitious pensioners.

The Director of Pensions should ensure that all letters from the Department are standardized and should have the appropriate stamps, names and signatures of designated officers. The Director should avail sample authorizing signatures to the banks for reference.

Bank transaction Costs

25. The Department pays Postbank a commission of Kshs. 150 per transaction for processing pension. The Department sends separate payments for dependants who receive 5 years dependants' pension and payments under widows and children's pensions while being paid to the same person and the same account. This escalates the commission payable to the bank as it treats these as two different transactions. As a result, the Department pays double for two transactions in the same account that can be summarized as one transaction for one dependant that has 5PN and WCPS.

In other cases the dependant's pension is so little and if paid in different accounts the amount is consumed by bank charges for instance in Garissa a dependant was getting only KSh53.70.

The Director of Pensions should ensure that dependants' details are merged in the dependants' payroll before sending money to the bank. This will save the Department of the double cost incurred on the transactions.

PostBank Staff Training

26. The Examination Team observed that most of the Postbank staff handling pension matters are not trained on the process of pension payment. This makes them unable to advise the Public/Pensioners adequately on queries which may arise in the payment process. The pensioners are normally referred to the Head Office for clarification. This creates discontent and frustration to pensioners and dependants since some of them may not be able to travel to the Head Office.

The Director of Pensions in conjunction with the Managing Director Postbank should ensure that officers handling pension matters are trained on the process of pension payment before being deployed to undertake the tasks.

Special Interest Pensioners

27. Postbank insists on the Power of Attorney to effect payment on behalf of the old or sick people who cannot present themselves to the bank. In some cases bank managers use the discretion to pay the sick and the senile. In other cases the money is returned to the Pensions Department if the pensioners cannot avail the required documents. There is generally no uniformity on how senile and sick pensioners should be dealt with.

The Director of Pensions should in consultation with the Attorney General develop guidelines on how benefits of sick and senile pensioners should be handled.

National Bank of Kenya arrangement

28. The Pensions Department has an arrangement with the National Bank of Kenya where the payrolls for dependants and pensioners are paid through the Bank. The Bank sends the payroll to Postbank and other Banks. The Team noted that the payroll is not clearly printed hence the Postbank relies on previous payrolls to update its records. This causes delays in updating the payroll and creates loopholes for wrong payments.

The Director of Pensions should review the payment arrangement with the National Bank in order to send payrolls directly to the paying institutions. This will fasten the process of payments and enhance accountability as institutions will take the responsibility for the payroll sent to them.

Monthly pension arrears

29. Due to delays in processing pensions, pensioners are usually paid monthly pensions in arrears. The same applies to pensioners who have been reinstated in the payroll. However, the arrears are calculated by the payroll officers and posted in the payroll by the same officers. The calculations are not counter checked by any other independent officer before posting the arrears in the payroll. This opens an opportunity for payroll officers in collusion with pensioners to pay exaggerated pension arrears. More so, fictitious arrears can be paid and go undetected by payroll officers.

    The Department does not have a limit of arrears which can be paid through the payroll. There are cases where even arrears amounting to Kshs. 500,000 are paid through the payroll. Since there are no adequate controls in place to check the calculation and posting of arrears, the Officers may collude with the pensioners and exaggerate the arrears and share the proceeds later.

The Director of Pensions should put in place adequate controls for calculation, verification, approval and posting of pensioners' arrears before payment is made. Payment of arrears should be well supported and documented with relevant monthly reports being generated.

The Director should also set a limit of the amount of arrears that can be paid through the payroll and consider other efficient methods of paying huge amounts of pension arrears.

Confirmation of Dependants

30. Most of the widows and dependants five-year payments are normally stopped before the end of five years even in situations where the dependant has not given advice for change of account. The Pensions Department on the other hand argues that this provides an opportunity for the pensioners to present themselves to confirm that they are still living. However, on presentation, the Pensions Department takes long to reinstate the dependants in the payroll.

The Director of Pensions should come up with a clear system of confirming pensioners' existence after a given period of time instead of stopping their pension haphazardly. Once confirmation has been obtained, the Department should record the information and continue paying the pension.

Contributory Schemes

31. The Department does not maintain a database for the contributors to the 2% WCPS and 31% of basic salaries of members of the pension scheme working with various institutions. The contributors to this scheme are not assigned unique account numbers to which the contributions should be posted. Furthermore, these contributions are mixed together with the main pension funds and paid from a common exchequer account. The Department relies on the manual calculations done by the respective Ministries and recorded on form GP 213 to ascertain contributions by members of WCPS. This creates a loophole that can be exploited by ministries staff in collusion with the contributors to exaggerate the payments to this scheme.

The Director of Pensions should liaise with Ministries and other Government institutions to ensure that a database of all institutions and contributors involved in these schemes is maintained by the Department. The Director should assign unique codes for each institution and provide account numbers for each contributor in line with the standard practice in the management of contributory schemes. The Permanent Secretary Ministry of Finance should separate the management of the Contributory Schemes from the other pension schemes to ensure prudent management.

32. The Department does not maintain a record of the institutions that are supposed to remit 31% of basic pay of members' monthly salaries to the

Department to facilitate any follow-up in case of default. Consequently, the Department is not in a position to establish institutions that have defaulted in remitting monthly deductions from contributors and the amount involved.

The Director of Pensions should ensure that a database of all institutions that are supposed to remit 31% of basic pay of members' monthly salaries to the Department is maintained. In addition, the Director should ensure that monthly reports and reconciliations are carried out to determine defaulting institutions and institute recovery procedures.

Overseas Pensioners

33. In the 2005/06 financial year, the Pensions Department paid a total sum of Kshs.79, 114,050 to the Crown Agents in the United Kingdom (UK) for Pensioners residing there. However, details of the recipients of the funds including their life certificates, returns, passports and other copies of identification documents were not available for audit verification. The Controller and Auditor General expressed concern that it was not possible to confirm the propriety of the Kshs.79, 114,050 paid to Crown Agents. Efforts to get details from the Crown Agents who have the contacts of the overseas pensioners have been futile. There is also no confirmation in any form that the pensioners actually acknowledged receipt of the pension. The payment of such Pensioners in the UK without proper verification of their existence is a loophole for the payment of non-existent pensioners. The payments are made contrary to the Government Financial Management Act of 2004 which requires public institutions to obtain adequate supporting documents for payments. Payment of commission to the Agents is based on the pensioners' paid and this could be a double loss to the Government in case 'ghost' foreign pensioners are paid. The approach to local pensioners is different. The Department withholds the pension until the pensioners or dependants produce required supporting documentation or adequate proof of their existence. This application of double standards in the treatment of the pensioners does not augur well for the image of the Pensions Department.

The Director of Pensions should stop payment of overseas pension where relevant verification details and documents have not been availed. Further a comprehensive audit should be carried out on the overseas pensioners and dependants to ensure that only genuine ones are retained in the payroll. The verification should involve documents such as life certificates, passports and other identification documents which should be availed regularly to the Department through the Crown Agents or Kenya High Commission.

3.7 INTERNAL AUDIT

1. The internal audit section's scope of audit is restricted such that critical risky areas are not checked. For instance, the section does not carry out audit over bank procedures, cheque book controls (including sequential checks), cash book and bank reconciliation, suspense account and imprest. The auditors do not perform system audits and risk assessment to assess the risks in the Department in order to advise on appropriate measures to mitigate these risks. As a result, it is not possible to detect and prevent fraud. This is risky considering that the Department handles over Kshs20 billion in bank transactions. Failure to carry out systems audits has adversely affected the Department which has continued to operate with very weak systems as exhibited in the findings in this Report.

The Internal Auditor General should ensure that the Internal Audit Section increases its scope of activities to cover all sections and activities of the Department.

The Director of Pensions in conjunction with the Internal Auditor General should ensure that the Internal audit section prepares comprehensive audit plans and programmes and conducts risk assessments of all aspects of the Department in line with Government Regulations, Treasury Circulars and Standards for the Professional Practice of Internal Auditing.

2. The Internal Audit section is not appropriately and adequately staffed. The section is headed by an officer who is not a professionally qualified and experienced accountant. The other officers are also not qualified and experienced. This has made it difficult for the officers to comprehend and handle the diverse risks and weaknesses in the Department as exhibited by lack of adequate audit plans and programmes.

The Director of Pensions should urgently initiate consultations with the Financial Secretary and the Internal Auditor General to ensure the deployment of a qualified accountant/auditor to head the section. In addition, the section should be adequately staffed with qualified officers to effectively discharge the responsibilities of the section.

3.8 PROCUREMENT

The Department of Pensions carries out procurement activities through the Procurement Department under the Ministry of Finance. The procurement Division of the Department is a sub-unit of the Ministry. The Division is charged with the responsibility of coordinating the acquisition of both services and goods for the Department. This structural arrangement sometimes inhibits the Division in the full discharge of its duties. This section outlines weaknesses in the procurement processes of the Department of Pension.

Establishment and Staffing of the Procurement Division

1. The Division has only three officers assigned both the responsibility of procurement and stores management in the Pensions Department. This level of staffing is inadequate to manage the supply chain activities effectively. The vendor sourcing processes such as raising quotations and tenders, opening and evaluation of the quotations are carried out by the same person. Thus, the vital concept of segregating various activities in the procurement process is lacking. This is contrary to Section26 (2) (c) of the Public Procurement and Disposal Act (PPDA) and is a loophole that can be exploited to circumvent the procurement process without being detected.

The Director of Pensions should ensure that the Division is staffed with adequate number of officers who are able to segregate various activities in the procurement process in order to enhance efficiency and transparency.

Independence and scope

2. The Procurement Division does not have adequate mandate in all the procurement matters concerning the Pensions Department. The Division can only handle expenditures that are below Kshs 2million per item. This limitation leads to the exclusion of the Division when major procurement activities are being carried out for the Pensions Department. When the Division is not involved in such major procurement activities for instance the acquisition of the Pensions Management Information System (PMIS) it becomes difficult to supervise the implementation of the procurement activities and especially the subsequent maintenance of the items procured.

The Team also noted that the Division is headed by an officer in the lower ranks category who reports to the Deputy Secretary (DS) in charge of administration. This creates room for manipulation of the procurement officials as they may lack the necessary independence required for the smooth operation of the Procurement Division.

The Director of Pensions should ensure that the Division has an enhanced mandate so that all the procurement activities of the Department are handled by this Division. The Department should establish a Procurement Committee in accordance with section 13 of the Public Procurement and Disposal Regulations 2006.Where the financial sealing is above the mandate of this committee, the procurement process should be conducted within the Department but the decisions of the Departmental Committee should be referred to the Ministerial Tender Committee for approval and award of the contract.

The Director of Pensions should also ensure that the procurement unit is well established in accordance with the PPDA and the Regulations made there under. The Unit should be headed by a senior officer who should report to the Director. This will enhance the independence of the Unit and avoid interference by other heads of Department.

Pre-qualification of Suppliers

3. The Ministry of Finance prepares a list of pre-qualified suppliers to guide the procurement process within the Ministry. However, the Team was informed that the list is not reliable as the officers in the Division within the Pensions Department fail to get response when they request quotations from a number of the listed suppliers. Consequently, the procurement officer uses his discretion to invite quotations from those who frequently visit the Department looking for contracts. This increases personal contact and the possibility of collusion with suppliers. This is a loophole that can be exploited to rig the bidding process

The Permanent Secretary Ministry of Finance should ensure that appropriate market surveys are conducted in order to develop a credible list of suppliers. The Pensions Department should also come up with a transparent method of choosing suppliers from a pre-qualified list of suppliers. This will check the procurement officer's discretion in determining the suppliers.

Maintenance Services Agreement

4. The Pensions Department does not have a service contract for critical items like the Information System for processing pensions. The Team was informed that the vendors for the pensions processing system did not hand over the system properly. As a result no service warrant was signed. Since the year 2000 when the vendors of the system left, the Department has not identified another vendor to handle problems that may arise in operating this system. This placed the Department in a precarious position with regard to repairs and servicing of the computer system.

At the time of the Examination, the IT system crashed leading to delays in the processing of pension claims. Two consultants were engaged on emergency basis contrary to the procurement regulations which state that before an entity engages in Direct Procurement written authority must be given by the Tender Committee. In this case both the first consultant M/s Afrisys Engineering Ltd and the second M/s Modern Technology Services Ltd was contracted before written authority was granted. The tender Committee subsequently ratified these contracts contrary to the Public Procurement and Disposal Regulations of 2006 which prohibit retrospective approval of procurement procedures.

Further analysis of this contract revealed that M/s Afrisys Engineering Ltd was unable to revive the system but the Pensions Department went ahead and paid them a total of Kshs 232,000.00. The payment was reflected as being made for system software named Netware 5.1.Since there was no prior agreement on the scope of work to be undertaken. The Department was at the mercy of the contractor and had to pay whatever was demanded. It seems that this firm did not have the necessary competency to revive the system. Furthermore the Procurement Division at the Pensions Department was not involved when this firm was contracted. The fact that the IT Department worked in isolation of the other departments implies that the transparency of the process could not be guaranteed.

Similarly, the engagement of the second consultant was questionable in that the Pensions Department ought to have defined the scope of the work to be done following the results of the first consultant. However the Department engaged the second consultant without any attempt to define the scope of work or cost estimates which they should have used to negotiate with the consultant.

There is no justification for failure to follow procurement regulations. In this case it is crucial to seek authority from the Tender Committee considering the results of the earlier consultant. M/s Modern Technology

Services Ltd was awarded the contract on the justification that they had installed the System in the year 2000. This is surprising given that when the System was installed the vendor did not hand over the ownership of the application software which has over time made the use of the System difficult. A supplier who had sabotaged the work of the Department should not have been considered. The Pensions Department paid a total of Kshs 17,173,146.00 to this firm for a second contract. It is surprising that the Ministerial Tender Committee approved the second contract retrospectively contrary to the law. The possibility of collusion to defraud the Government cannot be ruled out.

The Director of Pensions should ensure that vital service maintenance contracts are procured to avoid emergency acquisitions which compromise transparency of the procurement process. The bid specifications should clearly state the required services and warranties from a vendor to avoid inefficiencies associated with initial acquisition of a capital item that are experienced later on in the useful life of the item.

The Service Level Agreement should include the following:

- *Problem incident and change management of the System.*
- *Systems Recovery incase of a failure or disaster.*
- *Systems Security*

Investigations should be conducted with regard to the engagement of the two contractors who participated in the revival of the crashed system with a view of establishing irregularities and taking appropriate disciplinary action against those involved, both at the Pensions Department and the Ministerial Tender Committee.

Acquisition of Pensions Management Information System

5. The Department is in the process of installing a new IT system for processing pension. The Team noted that the acquisition process started in January 2006. Twenty three firms responded to the invitation to bid which was appropriately done through a public tender. All the bidders were rejected at various evaluation stages due to failure to comply with criteria set out in the bid document.

The Department was granted approval for Restricted Tendering after the initial process was cancelled. However three of the firms which had been earlier evaluated and found to have been technically non responsive were included in the list of restricted tender. The concern in this arrangement is that these firms could not have improved their technical capacity within a few weeks to justify their inclusion in the second process. Further the previous process had progressed one of the bidder through various evaluation stages and the bidder only failed when a site visit was conducted. The visit revealed that the bidder did not have the technical capacity required for the intended work. It was therefore not expected that the same bidder would be included in restricted tendering. Nevertheless this is the bidder who was awarded the contract.

Other areas of concern relate to the Financial Bid for the firm awarded the contract (RPC Data). It is noted that the bid bond which it had submitted in the first tender was not cancelled when the tender was declared non responsive but the Bank was asked to extend the same bid bond to participate in the subsequent bidding process. This raises the possibility of collusion and bid rigging through sharing of confidential information to the bidder.

When the financial bid was opened, the bid bond did not amount to the specified condition that it should have been 1% of the bid price. The Invitation To Bid (ITB) documents clearly stipulated that for a bidder to be considered responsive, bid security of not less than 1% of the bid value was required. The evaluation team noted this fact but still progressed with the bid. Section 47 of the Public Procurement and Disposal Regulations 2006, states clearly that bidders who fail to comply with preliminary evaluation criteria should be rejected. The evaluation committee failed to comply with this requirement.

Analysis of the bidding process implied the likelihood of collusion to favour one bidder only. Various correspondence with the invited bidders showed that most of the bidders had requested for additional time to prepare their response (for instance, the request from HeiTech Padu Technology) but additional time was not immediately granted. The extension was granted later but it is not clear whether all the bidders were informed about this extension of time. Some of the bidders included had previously indicated that they could not get a local partner as required in the bid documents. It was not clear why they were included in the second process in spite of this disclosure. The irregularities noted by the Team are likely to undermine installation of the PMIS.

The Permanent Secretary Ministry of Finance should initiate investigations on this matter in order to establish the malpractices and ensure that those involved are appropriately disciplined.

Procurement Plans

6. Although the Department has prepared an annual Procurement Plan, the prices quoted for most of the items are above known market prices. The Team noted that though the prices are projections and therefore may differ with the actual cost, the actual purchases do not differ much with the projections and sometimes items are bought at higher prices than the already exorbitant projected prices. Price exaggeration at the planning stage is a loophole that can be used to allocate more funds for procurement in order to defraud the government during the actual procurement.

The Director of Pensions should ensure that an appropriate market survey is conducted to make realistic price projections in the Procurement Plans. The execution of the Procurement Plans should be monitored constantly so that necessary adjustments are made to reflect the prevailing market situation.

Evaluation Process for Quotations

7. The evaluation of quotations is sometimes done by one individual. For instance in the quotations number TH/PEN/003/06-07, TH/PEN/006/06-07 and Local Purchase Order (LPO) number D892691 there are no reports of evaluation committee. The Examination Team observed on several other quotations availed to them that this practice may be common in most of the purchases made through quotations. Lack of evaluation committees creates a loophole which can be used by an officer carrying out evaluation and analysis of the quotations to favour some bidders at a price.

The Director of Pensions should ensure that the Department complies with the Public Procurement and Disposal Regulations of 2006 which stipulates that evaluation must be done by a committee comprising of at least three persons. Use of committees to carry out the evaluation of tenders/quotations will enhance transparency in the procurement process.

Overpriced Purchases

8. The Team noted that some items were purchased at prices far above the prevailing market prices or rates. This was common in purchases for ICT accessories and stationery. The table below presents a sample of some items purchased at such prices.

Table (1) sample of items purchased at high prices

S/N	Items Description	Unit Measure	Qty	Price Bought (Kshs)	Market Price (Kshs)	Price Diff (Kshs)	Total Diff
1	HP toner 8061X	PCs	10	17,850.00	12,180.00	5,670.00	56,700.00
2	Kyocera Toner No. KM6230	PCs	5	27,500.00	12,760.00	14,170.00	73,700.00
3	HP toner 6511A	PCs	10	19,900.00	11,995.00	7,905.00	79,050.00
4	HP toner 38A	PCs	5	19,500.00	17,400.00	2,110.00	10,500.00
5	Ribbon 2170/2180	PCs	100	2,350.00	2,200.00	150.00	15,000.00
6	Computer Paper 9.5x11	Carton	100	1,900.00	1,220.00	680.00	68,000.00
7	Photocopy paper A4 White	Ream	300	470.00	325.00	145.00	43,500.00
8	Flash disk 256 MB	PCs	20	5,250.00	999.00	4,251.00	85,020.00
9	Flash disk 512 MB	PCs	20	7,100.00	1100.00	6,000.00	120,000.00
10	Flash disk 1 GB	PCs	10	12,880.00	1,398.00	11,482.00	114,820.00
11	Hard disk 80 GB	PCs	20	12,100.00	4,800.00	7,300.00	146,000.00
12	External USB Hard Disk 120GB	PCs	10	13,500.00	9,200.00	4,300.00	43,000.00
13	UPS 650 VA	PCs	20	12,970.00	7,200.00	5,770.00	115,400.00
	TOTAL						**957,190.00**

The items shown in this table were randomly picked from the Department's list of purchases. It indicates that the Department could be loosing a lot of resources through procurement of items at higher prices. This is a loophole that may be used to defraud the government through malpractices hidden in the procurement process.

The Director of Pensions should ensure that a thorough audit of all the procurement activities in the Department is undertaken with a view to unearth fraudulent activities. Those implicated in these malpractices should be disciplined accordingly.

3.9 MANAGEMENT OF STORES

The Pensions Department runs a small store house mainly for storage of consumables like stationery and computer accessories. The Examination Team observed a number of operational weaknesses which may be used to perpetrate corrupt practices in this section. Some of the observations are as outlined below.

Staffing of the Store House Section

1. The Store house at the Pensions Department is managed by two officers. Considering the various activities of a store house such as receiving of incoming supplies from suppliers, safe custody of the supplies, issuing stocked items to the users and stores record management among others, this level of staffing is not adequate. It makes it difficult for the Department to ensure accountability through segregation of duties. At the time of Examination, only one officer was managing the store as the other one was on leave. This situation creates an opportunity for pilferage of stock items and easy manipulation of stores record with low risk of detection.

The Director of Pensions should ensure that the Stores Section is staffed with adequate number of staff. Appropriate segregation of various stores activities should be introduced to enhance transparency and accountability of the entire stores operations.

Overstocking of Supplies

2. The Team noted that appropriate stock control methods are lacking at the store house. These include maintenance of stock re-order levels and the categorization of stocks into fast moving or slow moving items. The decision to replenish the stocks is left to the discretion of the procurement officer. This creates an opportunity to overstock slow moving items in order to gain from illegal sale discounts and bribery. For instance the Team noted cases of overstocking in the purchase of marker pens whereby 200 pieces were purchased in October 2006 while there was still a balance of 993 pieces being part of the stock purchased on 24th April 2006. A similar case related to Petal pens. The Department had purchased 200 pieces on 24th October 2006 on top of a balance of 454 pieces which had been purchased in year 2004. An additional stock of 100 pens was purchased on 2nd January 2007 even before the Department started using the earlier stock.

The Director of Pensions should ensure that the appropriate stock control measures are put in place to safeguard against misuse of stock and overstocking of such slow moving items which may even end up becoming obsolete. Proper establishment of re-order levels for various stock items should be done and appropriate categorization of stocks be carried out.

Store House Security

3. The physical security measures to the store house are weak. The Team noted that the security door of the store house can easily be broken into. In addition the door has only one lock whose keys are kept by the store man. This means that pilferage of stocked items could occur with very low risk of being detected.

The Director of Pensions should ensure that the physical security of the store house is enhanced. At least a grilled door should be fitted with adequate number of locks. Different officers should be given the custody of the store keys and the master keys safely kept by the Director or a designated senior officer by the Director to keep the master keys.

Stores Equipment

4. The store house is not properly equipped with necessary facilities to efficiently stock various items. Equipment such as racks and lockable cabinets which are vital for proper storage of items are lacking. This state of affairs leads to poor arrangement of items for example the mixing of obsolete items with stock in current use.

The Director of Pensions should ensure that necessary equipment such as cabinets and racks are provided for the use of the store house. These facilities will enhance safe custody of various items especially the small and high value items which should be stocked in lockable cabinets. Appropriate partitioning of the store house should be undertaken to separate scrap and obsolete items from active stock.

Maintenance of ledger Cards

5. The ledger cards which are essential tools for stock control are poorly maintained. At the time of the Examination, most of these cards had not been updated for many years. For instance, ledger cards Number C771220, C029998 and C771142 picked randomly indicated that posting of stock issued out takes too long such that replenishment is done while the stock balances are not updated from the previous purchases. This creates a major loophole as it is difficult to know the actual stock balances for the items in the store house. This therefore may lead to pilferage of stocked items.

The Director of Pensions should enhance supervision of stores through ensuring that the ledger cards are updated and reflect the correct status of the stock in the warehouse. Properly updated ledger cards could assist in preparing stock re-order levels. This would further assist in controlling cases of overstocking or stock depletion.

Goods Inspection Committee

6. Receiving of supplies is done by an individual from the procurement section or the IT Department. This creates a loophole where the officer may be compromised to receive substandard goods or less than the purchased quantity thereby leading to waste of resources.

The Director of Pensions should ensure that procurement processes comply with Section 17 of the Public Procurement and Disposal Regulations of 2006 by establishing the goods inspections and receiving committee. The committee members should sign inspection certificates to be kept in support of stock ledger records.

Stock Issuing Procedures

7. The Team noted that the procedures of issuing stock items are weak. Sometimes the stocks are issued without written authority. The Team further noted that the IT Section withdraws a large number of computer stationeries such as flash disks and hard disks and keeps them in cabinets for distributing to the users. The distribution list is retained by the ICT Manager who is at times unable to account for all the items taken. When the individual users do not sign for the store issue voucher (S11) they may not be held accountable for them. In one of the cases the ICT Manager withdrew ten external hard disks which could not be accounted for despite several enquiries by the Examination Team. The

disks were also suspected to be incompatible with the current IT System at the Department.

The Director of Pensions should ensure that further investigations are conducted to establish why these disks were purchased and where they were taken by the ICT Manager. The Department should also develop appropriate stores requisition vouchers for withdrawing stock items from the stores house. Such withdrawal should only be authorized for a particular use. There should be only one store house so as to enhance accountability.

3.10 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The Pensions Department has a fully fledged Information Technology (IT) Section which is responsible for providing Information Technology support to the Department business processes. The Section is charged with the administration and support of the Pensions Management Information System (PMIS) and the payroll. However, the section has not instituted internal controls to mitigate the risk in IT operations in the Department.

IT Governance

1. Management of IT matters at the Pensions Department are largely handled by the officer in charge of ICT. These include matters relating to procurement, maintenance of back ups and outsourcing. The discretion in making IT decisions leads to loopholes that could occasion loss of resources, abuse and manipulation of data and systems for personal gain. Such malpractices could go undetected for a long time.

The Director of Pensions should consider IT governance as an integral part of corporate governance and ensure that:

- *IT operations are fully aligned to the objectives of the Department.*
- *Structures and responsibilities that facilitate transparent implementation of IT are setup within the Department. The structures should clearly spell out the frameworks for reporting in order to reduce discretion in decision making.*
- *The Department is assured of the performance, control and risks of IT in all related decisions.*

2. Although the Pensions Department is in the process of computerizing its operations, there is no formalized Information Technology Strategy put in place to support the Department medium and long term plan. The new PMIS may not be successfully implemented without a formalized IT Strategy in spite of the fact that the Department has invested heavily in the project.

The Director of Pensions should ensure that an IT strategy that identifies the IT implications of the organizations medium to long term business plans and sets out the *associated IT action plan is developed. This should be reviewed and updated regularly.*

3. The Department does not have formal processes for reviewing software and hardware acquisitions. There is no set strategy for replacement or phasing out hardware and software. As a result the Department has continued to use an obsolete PMIS which has weak application security controls that can be easily exploited to perpetrate corrupt practices in the Department. Most of the computer hardware used are obsolete and have become expensive to maintain since the parts are no longer in production.

The Director of Pensions should put in place formal procedures for analyzing and prioritizing the acquisition of IT hardware and software. The procedures should determine the hardware and software standards to be implemented, taking compatibility into account. The procedures should also take into account present and future technological changes such as computer hardware in use in the market.

4. The Pensions Department is in the process of implementing a new Pensions Management Information System. However there was minimum involvement of the user Division for instance the accounts Division in the development of specifications of the systems requirement. A Task Force appointed to determine the specifications was composed of ICT Officers from different government Departments who had little knowledge of Pensions operations. The Department risks implementing a technological solution recommended by the Task Force, which might not be aligned to the objectives of the Department.

The Director of Pensions in liaison with the Permanent Secretary Ministry of Finance should appoint a planning or steering committee to oversee the Information Technology function and its activities. The Committee membership should include representatives from senior management, user management and the Information Technology function. The committee should regularly meet and report to the Director/Secretary. The Director should also develop an IT Steering Committee Charter that should be aligned to the Pensions Department Strategic objectives and IT Strategic Plan.

Network Security

5. At the time of the Examination, the Department had not installed an anti virus software in its Local Area Network (LAN) where users have uncontrolled internet access. This exposes the Department's computer

network to virus attacks. Computer viruses can be used to gain unauthorized access into the Department's Computer System.

The Director of Pensions should ensure antivirus software is installed in the network. Updates to the anti-virus software should be rolled out to all Personal Computers (PC's) on the network soon after receiving the update from the supplier. The roll-out of the updates may be automated through the use of distribution software which updates the end-users PC when they log onto the network.

Access Control

6. The Department's Pension Management Information Systems (PMIS) Database is administered by the ICT officers. However, all the officers login to the database using the same password and username. Officers administering the system do not also change their passwords on a regular basis. Sharing of user names and passwords reduces user accountability and can be used to manipulate the main database for fraudulent activities.

The Director of Pensions should ensure that appropriate access control mechanisms are put in place for the access of the PMIS. All the staff should be allocated their unique user name and passwords which should be changed regularly. This will enable the Department to detect any malpractices and ensure accountability in computer activities among officers.

7. The data capture system for the main payroll and the computer operating systems do not have access control mechanism for users to log in. Users log in without any user name or passwords. Furthermore, the system does not have an integrated audit trail mechanism that can be used to track activities of users operating the system. Consequently, the system may be used by unscrupulous employees to manipulate the payroll including inclusion of non pensioners into the payroll without being detected.

The Director of Pensions in Conjunction with Director GITS should ensure that:

- *Users of the data capture system are assigned unique user name and passwords to access the computer operating system and the data capture application to enhance accountability and reduce cases of manipulation of data without the officer responsible being detected.*

- *The Data Capture system is enhanced by in building an audit trail mechanism in order to track the activities of the computer operators.*

8. At the time of the Examination, the Team found out that there is no adequate physical access control to the server room in the Department. The server room was accessible to all members of staff in the Department. The server room was also being used as a kitchen for making tea and storage of old computer hardware. Unauthorized access to the server room that has the key computer system may lead to fraudulent or malicious user activity. This matter was discussed with the Director of Pensions and immediate action was taken. However, when the Team visited the server room in September 2007, there was a photocopying machine which further compromises the security of the room. This is because the machine may be used by many members of staff.

The Director of Pensions should ensure that the Server room is equipped with modern physical control mechanisms to control the movement of staff to the room. This should be enhanced by installing doors operable using specific combinations for each officer with the right of entry.

Separation of duties

9. The ICT section has five officers who are involved in IT Support functions, database administration, PMIS administration and Network administration. Due to lack of separation of duties in their operations, there is reduced accountability in IT operations in the Department. This may lead to perpetration of corrupt practices where IT support staff may initiate processes in the systems application level and manipulate data of the same process at the Database level.

The ICT officers are involved in accounts divisions operations. Some of the operations they undertake include data entry of dependant's payroll and capturing of the returned cheques from the banks. Lack of separation of duties has resulted to a control weakness in the administration of the Pensions Management Information System. The Team noted that malpractices such as change of pay point may be as a result of control weaknesses in the PMIS

The Director of Pensions should ensure separation of duties in the ICT Section to prevent possible fraudulent or malicious acts. The separation of duties will involve ensuring that:

- *Database administrators are not involved in Systems administration and support of the PMIS through entering transactions in the system.*

- *PMIS administrators are not involved in any form of data entry in the system they are administering.*

- *Officers involved in network administration do not undertake network administration activities.*

- *Officers in the ICT Division provide technical support to the Accounts Division without being involved in Accounts operations.*

Monitoring

10. The Pension Management Information Systems user activities in the audit trail are not usually monitored by the ICT officers. The Department is also networked to Government Information Technology Services (GITS) at the Ministry of Finance. However, user activities in the network are not monitored despite the fact that part of the Departments' main Pensioners payroll is being run at GITS. This may lead to fraudulent activities in the PMIS which might not easily be detected.

The Director of Pensions should designate one Staff Security Officer whose duties will be:

- *Daily review of the security logs in the PMIS and servers controlling the Departments System.*

- *Monitor and investigate unauthorized access and attempts in the systems.*

- *Carry out regular password maintenance to ensure that all users are authorized.*

11. The Pensions Department does not have a documented Disaster Recovery and Continuity Plan. This negatively impacted the Department in resuming its normal operations when the PMIS crashed at the time of the examination. The Department resumed operations after two months which meant the Pensioners were not served and officers in the

Department were not working for the two months. This also led to the Department being overcharged for recovery services.

The Director of Pensions should ensure a Disaster Recovery and Continuity Plan is developed. The Continuity Plan should cover the following:

- *Identification and prioritization of critical business processes;*
- *Determination of the potential impact of various types of disaster on business activities;*
- *Identification of all responsibilities and emergency arrangements;*
- *Education of staff on their roles in the plan;*
- *Mechanisms for testing and updating the plans. The Plan should focus on keeping critical business processes and services running which should include staffing and other non computing requirements.*

12. The ICT Section takes daily backups of the PMIS on a daily basis. However, the backups are stored in Computer hard disks which are stored in the same computer room. The Department does not have an offsite backup and the backup is not regularly tested. Due to lack of testing the backups, the Department could not be able to recover data for two days after the systems crashed. This meant that manipulation of data for two days could not have been detected.

The Director of Pensions should ensure that backups are tested on a daily basis. The Director should also ensure that arrangements for offsite backups are made. The Director should consider having inter- Ministry reciprocal offsite backup arrangement.

Computer equipment inventory

13. The Pensions Department maintains an Inventory of computer equipment. However the inventory is not regularly updated and does not include the location of the computer and accessories. At the time of the Examination, the Team observed that the inventory was last updated in 2004. This implies that any loss of computer equipment and accessories may not be easily detected.

The Director of Pensions should ensure an inventory of computer equipment is maintained. The inventory should contain details of where the computer is located. The inventory should also involve accessories like external USB hard disks.

3.11 RECORDS MANAGEMENT

The Pensions Department has in its custody about 400,000 (four hundred thousand) files for various categories of pensions. It is estimated that the number is growing at the rate of close to 20,000 files annually. The records are managed through a registry system.

File numbers are allocated in accordance with the nature of the pension award. In addition, file details are captured in the computer. After a claim has been processed, the file is returned to the registry for custody. Accountability in tracking and management of pension record is a crucial element in ensuring transparency in all the processes of the Department.

Location of the registries and access to the records

1. The records storage room where all the files are kept is located far from the registry's working area making it difficult to supervise entry and access to the files. Indeed, several files have been recorded as missing.

   The Examination Team also observed that the records storage room is accessible to any staff member. The Duty Office for example is located within the records area; hence officers working in the duty office on rotational basis use the same entrance with the records storage room. The staff access the records storage rooms to retrieve files at will. This creates opportunities for officers to interfere with the files.

The Director of Pensions should ensure that the storage room is interfaced with the working area of the registry in-order to ensure close supervision of retrieval activities in the storage room. The storage area should be accessed through the working area in-order to ensure that only staff designated to work in the registry access files.

The Director of Pensions should further ensure that access to the record storage room is restricted to authorized persons. In addition, The Director should consider relocating the Duty Office. The duty office should specifically be served by staff designated to work in the registry in-order to enhance security of files

File control instruments

2. The Department has not put in place appropriate control instruments for records. Persons receiving files from the registries are not recorded. It is also difficult to track a file leaving one section to another. In most of the sections, files leaving their domain are just listed as having left that area of operation but the issuer or receiving persons are not recorded. Some officers record out going files in their diaries. These practices make it difficult to hold staff responsible for any files that may go missing.

The Director of Pensions in consultation with the Director Kenya National Archives should develop file control instruments such as registers in order to enhance accountability on file movement at all levels. The registers should include the file reference, name of the pensioner and the officers dispatching and receiving the file. Further, use of file grid on the file cover indicating the Action Officer, date and folios for action should be encouraged.

3. It was observed that in some of the Ministries processing claims there are no proper systems of capturing and tracking the files internally. Files received from the registries are not acknowledged. Retirees have to personally track the location of their files after waiting for a long time.

   It was also alleged that in some Ministries retirees are openly told that the officers were waiting for them to appear personally so that they can start the processes of raising the claim. This causes delays in processing and submitting the claim to the Pensions Department.

The Permanent Secretary Ministry of Finance in conjunction with Accounting Officers in different Ministries and the Director of Kenya National Archives and Documentation Service should ensure that personnel files are well managed in order to ensure that they can be easily located. Further, appropriate systems for tracking files should be put in place so as to ensure that members of staff are accountable for the delays in processing claims.

4. Once the files leave the registry to the assessment section for example, they are placed on a central table. There is no form of allocation of the files to the action officers. Each Assessment Officer selects the files they want to work on from this table. This leads to loss of files and opening of temporary ones, which creates a loophole for double payment of pension.

The Director of Pensions should ensure that registers for recording, receiving and dispatching files are developed in all sections. The dates for incoming and outgoing files should be recorded on different rows in-order to keep track of the files and to easily identify those files that are still pending.

Bring up diaries

5. In situations where processing of a pension is deferred because of certain reasons such as non availability of supporting documents, the claim file is put aside as "Keep In View" (KIV). However, there is no proper system of bringing up files for action. It is not until the pensioner or dependant writes a reminder about the same issue that it will be noted that the case was pending action. Some officers have decided to keep files in their offices and drawers so as to act on them at a later date. This creates an avenue for exploitation where retirees/dependants pursuing their benefits have to get in touch with the specific officers handling the case. Indeed, it is difficult to locate such a file when required leading to opening of temporary files.

The Director of Pensions should ensure that a proper 'bring up' system is established and computerized in-order to keep track of pending cases and to ensure that they are acted upon at the appointed dates.

Receiving Claims and Management of Original Files

6. The Department does not have a clear way of receiving claims. The Ministries raising the claim are expected to come up with their registers where all the files forwarded to the Pensions Department are listed. However, it was noted that Claims officers do not sign for the receipt of the files on this register; neither does the section maintain a register for the files submitted from the Ministries. This is in spite of the fact that the claims officers will use the files to evaluate the claims.

   In addition, the files are left in a waiting room at the Pensions Department to allow time for the claims officers to authenticate the claim. This creates a loophole for possible loss of files since the claims officers are not responsible for the file. In this scenario, the forwarding Ministry takes full responsibility of the file until the documentation process is complete. The Team noted that these files can stay for more than two months before the evaluation exercise is complete.

The Director of Pensions should ensure that the process of receiving claims is streamlined. All files received by the claims office at the Department should be recorded in the accompanying registers upon receipt.

7. Once a claim is received at the claims office, it is stamped using a Pension Receipt Stamp. However the stamps do not indicate the date automatically. The Team noted that officers do not always append the date on the stamp. This makes it difficult to assess the period that pensions Department takes to process the claim.

The Director of Pensions should ensure that the dates for claims receipt are stamped using an automatic stamp.

Loss of Documents

8. Before a claim is accepted at the Pensions Department the requisite documents must be attached and fully scrutinized to ascertain their correctness. The Examination Team observed that in some instances, processing the claims may be suddenly stopped due to loss of such documents. This, the Team observed, is due to loss of such documents some of which may be deliberately detached from the claim. Many retirees complained that they have been repeatedly asked to forward some of the documents long after they had done so.

The Director of Pensions should come up with a standard form of registering all documents received at the claims office. The documents should be folioed with an automatic numbering machine following the sequence in the receiving form. Claims Officers should properly sign that they have checked all the documents. This will ensure that the claims officer is careful in their evaluation and receiving of claim. This way, Security of the documents as they pass through the pension process will also be enhanced.

Mail Management System

9. Most of the mail received in the Department concerns processing of individual Pensions. They are therefore expected to be filed in their respective files. The same case applies to copies of the correspondences regarding a pension claim dispatched from the Pensions Department. The Team noted that the mail Office does not maintain a register for mail received or dispatched. Incoming mail related to pension issues is tied with rubber straps according to the last digits and taken to officers who deal with a specific pension digit without any form of accountability.

This makes it difficult to account for the actions taken arising from the mail.

The Director of Pensions should ensure that all mail received is properly recorded in an in-ward mail register. The register should contain entries for the serial number of the letter; the reference number and the date of receipt. The letters should be arranged according to digits before registration so as to allow each digit holder to sign receipt in a flowing sequence.

10. At the registry, there were several letters that were not filed. These letters related to change of account, failure to receive pensions and other correspondence regarding pension processes. This was an indication that many letters are not acted upon causing unnecessary delays. Indeed during the forums with retirees and dependants, there were complaints that the Department does not respond to letters.

The Director of Pensions should enforce supervision at the registry so as to ensure that that all letters received by digit holders are filed. In the event that pensioners complaints relate to letters that have not been filed the officer responsible should be held accountable.

11. All letters are supposed to go through the mail office. However, due to the extensive nature of personalized service, some officers receive letters directly from retirees. These letters are not officially received and there is a risk of them getting lost and/or not being acted upon.

The Director of Pensions should ensure that all letters for action are received centrally. Each letter received should display the Department's receiving stamp and a control number on the bottom right side. All letters should be acted upon in their respective files.

Information on the methods of sending letters to the Department should be included in the awareness creation programmes recommended in this Report.

12. The Mail office and the cash office share the same stamps. This may make accountability difficult in case of malpractice by unscrupulous staff. The stamps have no features that differentiate them from other stamps used in the Department. This creates room for forged stamps to be used by unscrupulous persons. The Team noted that issuance of stamps is not regulated.

The Director of Pensions should ensure that each section has its specific stamp and that all the stamps used are controlled and properly secured.

Files Transfer

13. Upon the death of a pensioner and after the receipt of dependants claims at the registry, the original file is transferred to the dependants index category i.e. PC/BPN. However, the Team noted that this transfer of files is not systematic. There is no entry on the indexing registers for both categories indicating the transfer. This opens opportunities for false claims.

The Director of Pensions should ensure that the file indexes for different categories of Pensions are computerized and that they include the entry for the transfer of one category to another. The indexes should be comprehensive so as to incorporate all the important details about the file such as the name, the personal number of the retiree, date of retirement, date pension was paid, and the old pension number among others.

Mail Office

14. There are only two officers attached to the mail office. These officers are expected to carry out several duties such as stamping about 700 letters received in the Department daily, separating them according to digits for filing by the digit holders among other activities. They are also expected to frank out a large number of out-going mails. The officers are not trained in mail management and lack the capacity to adequately put in place appropriate systems for managing mail.

The Director of Pensions should undertake an assessment of the activities of the mail office with a view to providing adequate staff to carry out the mail management activities. The staff should be well trained in records management in order to undertake mail management efficiently.

15. After processing the death gratuity, the Department forwards the payment to the Public Trustee. The Public trustee acknowledges the payment by sending a receipt to the Pensions Department. The Team noted that the receipts are not registered nor are they filed in their respective files. Instead, they are heaped in a carton in the mail office. This creates a problem of follow-up on the payment of death gratuity.

The Director of Pensions should ensure that a register of all receipts received from various offices of the Public Trustee is maintained. The receipts should also be filed *in the respective pensioners' file and updated in the computerized information system.*

4.0 IMPLEMENTATION OF THE PENSIONS AMENDMENT ACT No.6 of 2003 (MUSILA BILL)

In 2003 sections 16 and 17 of the Pensions Act Cap 189 were amended by the Pensions Amendment Act, No.6 of 2003. The amendment requires that with effect from 1st January 2004, an officer due for retirement is paid in full on retirement or otherwise retained in service. The law further requires that a dependant's pension is paid to the dependants within ninety days after the death of the officer. Dues which are not paid in accordance with the legal requirements attract interest at market rates until they are paid in full.

In order to operationalize the Act, the Head of Public Service issued Personnel Circular No.2/2004 Ref No.OP/CAB13/10avol.1 (30) on 14th April, 2004 to all Government Ministries proposing various interventions. These include:

- Inclusion of Personal Identification Number (PIN) and Identity Card Number in the pay slips.
- Issuing early retirement notices.
- Prompt confirmation in appointments.
- Update of family records.
- Handling of all pension cases at the headquarters.
- Prompt remittance of contribution of 31% by officers on secondment.
- Contributions under Widows and Children's Scheme (WCPS) be reflected as cumulative contributions on the pay slips.

A Ministerial Task Force was formed in March 2004 to oversee the implementation of the Act. The Task Force prepared a report providing guidelines and the way forward towards implementing the Act. However, at the time of the Examination, the Act had not been fully implemented.

The Team found that various Ministries have not been retaining any retirees on the payroll and the Pensions Department is not paying any interest even in cases of inordinate delays on their part hence defeating the implementation of the Pensions Amendment Act, No.6 of 2003.

The Team identified clearance of retirees for tax and government liabilities such as imprest, equipment and materials in their custody, for example laptops and books, as some of the operational bottlenecks which may hinder full implementation of the Act.

However, the Team is of the opinion that certain provisions of the Act can easily be implemented. For instance, *the Integrated Personnel Payroll Data (IPPD) has already captured information related to the national identity (ID) and the* personal identification number (PIN). This information should be sufficient for processing a retiree's benefits without resorting to him/her for information. Other measures that can be taken are:

- Completion of pension documents before a retiree goes on terminal leave including tax and government liability clearance.

- Payment of the lump sum pension by the Ministry minus the liability owed to the Government.

- Payment of death gratuity to heirs identified in the Bio-data forms.

The Permanent Secretary Ministry of Finance in consultation with the Attorney General should embark on the review of the Pensions legislation and regulations to facilitate implementation of the aforesaid measures.

5.0 IMPLEMENTATION OF KACA REPORT

The Kenya Anti-Corruption Authority (KACA) carried out an Examination of the systems of the Pensions Department between September and October 2000. The objectives of the Examination were:

- To establish effectiveness of existing
  - Services to pensioners
  - Communication systems
  - Pension settlement procedures

- To identify any loopholes and weaknesses in the existing systems, policies, procedures and practices

- To make recommendations for sealing loopholes and eliminating any weaknesses identified.

The Examination Report which was handed over to the Director of Pensions identified corruption loopholes and inefficiencies in the areas of:

- Application of undocumented procedures in processing of pensions
- Supervision
- Accounts
- Audit systems
- Payroll administration
- Payment processing
- Falsification of documents
- Dispatch of cheques and payment schedules
- Management of information system
- Payment of pension through District Treasuries
- Human resource management
- Staff integrity

The Report further made recommendations on how to seal the identified loopholes. The Department has implemented some of the recommendations such as closure of District pay points and payment of pensions through Post Bank. The implementation of the recommendations contained in the KACA Report was done in an ad-hoc manner. Furthermore, the Department did not prepare an Implementation Plan. Most of the senior officers interviewed by KACC Team indicated that though they were in the Department at the time of the Examination, they did not discuss the Report.

One of the terms of reference for the Team carrying out the current Examination was to establish the extent to which the KACA Report was implemented. This was discussed with the Director of Pensions who prepared and forwarded a status report on the implementation process to the Examination Team. (The report is attached as an addendum to this Report).

The status report indicated action already taken by the Department and directed the KACC Team to areas that required discussion with various Government Agencies. The areas included:

- The role of external auditors
- Updating of personnel records
- Deployment of more staff to the Pensions Department
- Monitoring and supervision of staff at the Pensions Department
- Seconding of staff from the Ministry of Finance
- Decentralization of some functions of the Department to the District
- Training of pensions officers

The KACC Team conducted interviews on these issues and has provided specific findings and recommendations on most of them in the main body of this Report. Discussions were held with the Kenya National Audit Office (KENAO) on its role with regard to external audit of finalized pensions payments in order to ensure the effectiveness of audit process. KENAO undertook to take the necessary action in this regard.

6.0 CONCLUSION

This Report has highlighted weaknesses and corruption loopholes in the systems, procedures and policies applied by the Pensions Department in carrying out its day-to-day functions of administering the Public service pension scheme. The Pensions Department has a budget of approximately Kshs 23 billion. This implies that the pension fund is exerting pressure on the government resources. Various reports have shown that the number of public officers due to retire in the next few years is growing. This comes at a time when public service salaries, which form the basis of calculating pension awards, have been increasing. It also comes at a time when pensioners consider the awards insufficient to meet their needs. Addressing these concerns is therefore likely to have a greater claim on Government expenditure. Hence the need for the Government to institute reforms aimed at addressing the future of pension in the public service.

It is necessary for the Government to embark on a process that will not only address the weaknesses of the Pensions Department but also ignite the process of formulating a comprehensive policy on social security. The need for such a policy is urgent and is premised on the fact that all citizens irrespective of their employment status require basic needs such as food, housing medical care and security. These needs are critical particularly for the unemployed, the retired; those retrenched from employment for a variety of reasons, the bereaved and other vulnerable groups.

A clear and comprehensive policy should take account of the needs of pensioners and their dependants. Furthermore, the policy is a key factor among other things, in defining the direction and reforms necessary to facilitate sustainable management of public service pension schemes. Several weaknesses outlined in this Report, for example lack of operational guidelines and the inadequacies of the law can be traced to lack of a national policy on pension management. A weak institutional framework for administering public service pensions is bound to undermine the usefulness of massive resources drawn from the consolidated fund to pay pensions under the public service pension schemes. The weaknesses are also bound to create fertile ground for corruption unless they are addressed urgently.

The legislative framework on pension is diverse and outdated in many respects. The relevant statutes are scattered while in some instances they are not easily understood by the implementers. They have discriminative aspects and inconsistencies that are capable of fueling discontent among public servants. The law has not also kept pace with public sector reforms and other emerging issues which are poised to create a major challenge to the exchequer on matters of pension. For example the contributory scheme which was introduced in July 2006 is not backed by a legal framework which would provide a clear method of its application. Thus, the Government has been experiencing challenges in the implementation of the scheme. This underscores the urgency with which the government needs to embark on a comprehensive review of the relevant law.

Various reforms taking place in the country emphasize the need for quality service, integrity and accountability in public institutions. A committed and motivated staff is essential for quality service. The success story of Singapore in combating corruption indicates that multiple strategies are necessary in order to reduce opportunities for public officers to engage in corruption. This involves, among other things, establishing effective and transparent methods of work, with minimized red tape and reviewing public officers' salaries regularly to ensure that the officers are paid adequately. Evaluation of public sector reforms by the World Bank has also shown that well functioning governments require a capable and motivated staff earning competitive wages and equipped with the necessary tools to carry out their duties. This should be accompanied by a performance monitoring system and strong oversight mechanisms among other measures. Reform of the Pensions Department, which is in dire need of capacity building, and other public institutions, must take cognizance of these factors.

The Pensions Department should, among other things, exploit multiple avenues, in addition to its website, to provide relevant information on the rights of public officers and their dependants under various pension arrangements. Such avenues include retirees associations, civil society organizations and the print and electronic media. The Department should also enlist public support in the fight against corruption through sensitization on its role in the administration of pensions. The role of the public is important especially in reporting corrupt conduct. This can be enhanced through effective channels of complaints and feedback.

The recommendations highlighted in this Report will help the Pensions Department seal existing corruption loopholes in its management and delivery of services. More importantly, it will prevent corruption and pilferage of state resources from the Consolidated Fund. Improvement of the services offered by the Department will require some functional and structural changes for it to be able to synergize with other relevant government organizations and stakeholders.

Finally, the recommendations made in this Report, cannot be effective without the support and commitment of the Minister, the Permanent Secretary and Senior managers in the Pensions Department. It will therefore be necessary for the senior management to spearhead the implementation of these recommendations in order to prevent corruption and the revenue losses in the Department. The Kenya Anti-Corruption Commission will expect the Permanent Secretary Ministry of Finance and the Director of Pensions to spearhead the preparation of an implementation Plan on the recommendations of the Report. KACC will be at hand to offer necessary guidance.

APPENDIX 1: CASE STUDIES

During the Examination exercise the Examination Team received certain complaints which interested the Team in order to verify some of the processes of the Department. These therefore formed case studies as outlined below.

CASE STUDY ONE

The pensioner retired in 1994 and was paid his pension dues until 1998. The pensioner transferred his account from KCB Industrial Area to KCB Westlands. The Pensions Department never effected the changes but went ahead to delete the pensioner from the payroll and he did not get pension from February 1998 to September 2003 when he was reinstated in the payroll. He has never received the returned pension which amounts to approximately to (66) months.

This is one of the cases which were sent to the Director of pensions for redress. In response, the Department indicated that the pensioner will need to get returns from the Bank in order to process the case. The Team noted that there were several cases of such nature that have not been resolved to date.

Observations

One of the reasons for deletion from the payroll is the continuous return of pension dues from banks to the Department. In this case, the Department deleted the pensioner from the payroll but it does not have any records of bank returns in his favour. Cases of this nature are many and it is an indication that some of the records could have been deliberately destroyed to cover up fraudulent activities by the officers of the Department.

Recommendation

As recommended earlier in this Report, the Director should endeavour to pay the pensioners and hold the Head of Accounts, officer in-charge of IT and the chief Cashier responsible for such losses.

CASE STUDY TWO

The pensioner was deceased in 1997. At the time of the Examination, the dependant made a complaint to KACC about delays in payments of her husband death gratuity. The Examination Team enquired about the case from the Department of Pensions. The dependant's file was provided to the Team which confirmed that the Department had been notified of the death of the pensioner and had processed a death gratuity which had been paid to Public Trustee Kakamega office in 1998. Neither the Pensions Department nor the Public Trustee informed the dependant of the payments. The dependant was informed about the status of the case in May 2007 by the Examination Team. It took 9 years for the dependant to access death gratuity due to lack of proper communication by the Pensions Department and the Public Trustee.

Recommendation

The Director of Pensions in conjunction with the Administrator General should ensure that Dependant contact details such as email address, current telephone numbers and postal address are included in the claim forms.

CASE STUDY THREE

The dependant complained to KACC about stoppage payments for death gratuity since November 2006. After follow up, the dependant was informed that the Pensions Department had been informed that her deceased husband had a second wife who should be a beneficiary of the husband's dues. With this information, a guardian of the children of the second wife (also deceased) was introduced in the payroll. This was done without information to the dependant who is also the administrator of the estate of the deceased husband. Further, the 2 children are adults (19 and 26) who if need be should be paid their dues directly. The guardian was provided with information on all the payments which he has been using to intimidate the dependant.

Observations

The Department takes actions on the pensioners or dependant's files without crosschecking the documents in the file and without any communication to the affected individuals. Some of the actions include stoppage of monthly payments, deletion from the payroll and addition of third parties in the payroll as guardians.

Recommendation

The Director of Pensions should ensure that hearing is given and formal communication made to affected individuals in all cases before alterations affecting pensioners or dependants are made by the Department. Further the Director should investigate how the third party in this case was introduced in the payroll and take appropriate action against those who were involved. The Director should also ensure that formal communication is made to the pensioners and dependants in any decision made about their pensions.

APPENDIX: 2 PUBLIC TRUSTEE

In the process of Examination of the Pensions Department, the Public Trustee was one of the major stakeholders since death gratuity for public servants who die in service are forwarded to the Public Trustee for payments to the dependants. The Examination Team visited several offices of the Public Trustee and interviewed officers and dependants. The Team noted some loopholes that may create room for corruption and affect service delivery. It is therefore necessary that appropriate interventions are put in place to seal the identified loopholes. The following are the findings and recommendations:

1. The Public Trustee appointed District Commissioners as its Agents. The District Commissioners carry out summary administration of estates of Kshs100, 000.00. They are further expected to cease operations in areas where the Public Trustee opens an office. The Team found out that in some areas, District Commissioners still handle estates in areas where there are Public Trustee offices.

   There is no proper mechanism for supervising the methods applied by the District Commissioners in administration of the Estates. This may open room for mismanagement of the Estates.

The Administrator General should ensure that the terms of the Agency with District Commissioners are strictly adhered to. The Administrator General should come up with proper mechanism of supervision which should include filing of returns from time to time on the management of all the Estates.

2. The Public Trustee opens accounts for dependants who are minors. This is done in the Mombasa and Nairobi offices only. The Team found out that District Commissioners who are agents of the Public Trustee also open and operate minor accounts in various Districts contrary to instructions by the Administrator General. There is no uniformity in management of minor Accounts.

   In some instances minor accounts have been affected by closure of District accounts.

The Administrator General in conjunction with the Permanent Secretary Provincial Administration should establish the extent of delegated powers to the District Commissioners. This will facilitate clear understanding on the roles of the District Commissioners as Agents of the Public Trustee. They should in addition develop *guidelines on the management and maintenance of minors' accounts held by District Commissioners for the interest of the minors.*

The Seal used by the Public Trustee to close the account of a deceased person is held at the head office, Kisumu and Mombasa. Other offices such as Embu, Nakuru and Kakamega do not maintain the Seal and have to take summary certificates to be sealed in Nairobi or Kisumu respectively. This causes delays in processing Estates whose value are below Kshs 100,000.00

To hasten the process of finalizing of estate accounts, the Administrator General should issue all regional offices with the official seal.

3. The process of getting letters of administration is lengthy as it takes a minimum of six months to two years. This causes delay in processing dependants' benefits by the Public Trustee. The slow judicial process delays process of processing dependants benefits. The Team was informed that at times the judicial officers are not keen to handle Public Trustee petitions expeditiously.

The Administrator General in conjunction with the Attorney General should review the Public Trustee Act to enable the Public Trustee administer estates summarily up to a minimum of Kenya Shillings five hundred thousand. (This recommendation was effected in the Statute Law (Misc. Amendment) Act, 2007).

4. The Public Trustee maintains manual records on Kalamazoo binders. The binders are bulky and some have torn pages. This may cause inaccuracies in maintaining the accounts and delays in processing the payments.

   The Team noted that there is shortage of Accountants in the Public Trustee offices. As a result, there is no segregation of duties such that the accountant maintains the books, makes payments and bank reconciliation. This leads to delays in updating records and processing payments of the dependants. This may also create room for misappropriation by unscrupulous staff.

The Administrator General should work on the modalities of computerizing the accounting system and further liaise with the Financial Secretary Ministry of Finance for deployment of more accountants in the Department.

5. The Public Trustee is supposed to surrender the money to the Treasury if the same is not claimed within 12 years. However the provision has not been complied with for a longtime and there are dependants who are not even aware that their money is being held by the Public Trustee. This may be a loophole that can be exploited by unscrupulous staff to misappropriate the funds.

The Administrator General should remit all the money not claimed within 12 years to the Treasury. This should be done after all efforts to identify the dependants have been made such as advertisements in the local dailies.

6. There are cases where the Public Trustee has effected payments on the basis of forged letters of administration and identification document for instance in Nakuru the wrong beneficiary was paid the sum of Kshs.419800 in 2005. The rightful beneficiary presented a claim in March 2007.It is alleged that this is done in collusion with some staff of the Department. The Team was informed that this case was a subject of investigation by the Police.

The Administrator General should investigate and take appropriate action against such staff.

APPENDIX 3: AREAS VISITED AND PERSONS INTERVIEWED

PENSIONS DEPARTMENT

1. Director of Pensions
2. Claims Section
3. Certification
4. Assessment Section
5. Approvals
6. Duty Office/Reception
7. ICT
8. Registry
9. Mail Office
10. Procurement Unit
11. Internal Audit
12. External Audit
13. Accounts
14. Military Section

GOVERNMENT MINISTRIES, DEPARTMENTS AND PARASTATALS

15. Ministry of Health
16. Ministry of Agriculture
17. Office Of the President-Provincial Administration and Internal Security
18. PC Coast, Central, Eastern, Rift Valley, Nyanza, Western and North Eastern
19. Public Trustee Offices
    - Nairobi
    - Mombasa
    - Nyeri
    - Embu
    - Nakuru
    - Kisumu
    - Kakamega
20. District Accountants Offices
    - Mombasa
    - Nyeri
    - Embu
    - Nakuru
    - Kisumu
    - Kakamega
    - Garissa

21. GITS
22. Retirement Benefits Authority(RBA)
23. Postal Corporation of Kenya
24. Ministry of State for Public Affairs former (DPM)
25. Kenya Revenue Authority

STAKEHOLDERS

26. POSTBANK
    - Headquarters Nairobi
    - Mombasa Branch
    - Regional Office Mt. Kenya Region
    - Nyeri Branch
    - Embu Branch
    - Nakuru Branch
    - Kisumu Branch
    - Kakamega branch

27. National Bank of Kenya
28. Equity bank Limited
29. Public Forums with Pensioners/Dependants and Guardians
    - Mombasa
    - Nyeri
    - Kenya Association of Retired Officers-Nyeri Branch
    - Embu: number of Pensioners 280
    - Nakuru
    - Kisumu
    - Kakamega
    - Butere Retirees Association
    - Busia Pensioners Self-Help group
    - Garrisa :number of pensioners 39

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3. The Employment Act Cap 266 Laws of Kenya
4. The Widows and Orphans Pensions Act Cap 192 Laws of Kenya
5. Parliamentary Pensions Act Cap 196 Laws of Kenya
6. Presidential Retirement Act, 2000
7. Pensions Increase Act Cap 190 Laws of Kenya
8. Armed Forces Act Cap 199 Laws of Kenya
9. Provident Funds Act Cap191 Laws of Kenya
10. The Asian Widows' and Orphans' Pensions Act Cap 193 Laws of Kenya
11. The Asian' Family Pensions Act Cap 194 Laws of Kenya
12. The Law of Succession Act Cap 160 Laws of Kenya
13. The Public Trustee Act Cap168 Laws of Kenya
14. Retirement Benefits Act 1997
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16. The Anti-Corruption and Economic Crimes Act 2003
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21. Ministry of Finance 2003/2004 Annual Audit Report

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25. Ministry of Finance Strategic Plan 2004/5-2006/7

26. Circular from the Head of Public Service Circular No.2 of 2004

27. DPM Circular of 2001 on appointment of female officers from local agreement to permanent and pensionable terms

28. DPM Circular of 2004 on submission of returns by officers undertaking pensions functions in Ministries/Departments

Other References

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30. Le Shen and John B. Williamson: The Necessity, Feasibility and Possible Social Benefits of Introducing Non-Contributory Social Pension Scheme for the Aged People in Rural China.

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