

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 27 FEB 2025 DAY: Thursday

PARLIAMENT
OF KENYA
LIBRARY

REPORT

TABLED
BY:

Hon. Naom Wabera
Deputy Majority Party Whip

CLERK-AT
THE-TABLE:

A. Shiluko

OF

THE AUDITOR-GENERAL

ON

CIVIL SERVANTS HOUSING SCHEME FUND

**FOR THE YEAR ENDED
30 JUNE, 2024**

**STATE DEPARTMENT FOR
HOUSING AND URBAN DEVELOPMENT**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00109, NAIROBI
REGISTRY

21 NOV 2024

RECEIVED

**MINISTRY OF LANDS, PUBLIC WORKS, HOUSING AND URBAN
DEVELOPMENT**

STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

CIVIL SERVANTS HOUSING SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2024**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

**Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June 2024**

Table of Contents	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	iii
I. II. SCHEME MANAGEMENT COMMITTEE	iv
II. SCHEME MANAGEMENT COMMITTEE (SMC) MEMBERS OF THE CIVIL SERVANTS HOUSING SCHEME FUND (CSHSF)	vi
IV. SECRETARIAT MEMBERS OF THE CIVIL SERVANTS HOUSING SCHEME FUND (CSHSF)	viii
V. CABINET SECRETARY'S STATEMENT	ix
VI. REPORT OF THE PRINCIPAL SECRETARY.....	x
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xi
VIII. CORPORATE GOVERNANCE STATEMENT.....	xv
IX. REPORT OF THE SCHEME COMMITTEE	xvi
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xviii
III. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF CSHS.....	xix
IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 TH JUNE, 2024 1	
V. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE, 2024.....	2
VI. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 th JUNE, 2024... 4	
VII. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 th June, 2024.....	6
VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD	8
ENDED 30 th JUNE, 2024	8
IX. NOTES TO THE FINANCIAL STATEMENTS	9
APPENDIX	32

i. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Civil Servants Housing Scheme Fund (CSHSF) was established when The Civil Servants Housing Scheme Fund Regulation, 2004 were gazetted through legal notice no. 98 dated 15th September 2004 under the Housing Act Cap 117. This was after the cabinet approved the establishment of the Fund. Further on the Civil Servants (Housing Scheme Fund) (Amendment) Regulation, 2015 were gazetted as legal notice No. 231 of 7th December 2015.

The establishment of the fund is in line with the National Housing Policy for Kenya 2004 (Sessional Paper No. 3). The policy among other things called for facilitation of employers to assist their employees to acquire housing. At the heart of Employer Assisted Housing is the idea that employees should be able to afford to live in the communities or neighbourhoods in which they work, and that there are multiple benefits to being able to do so.

The Cabinet Secretary in charge for the housing function is responsible for the general policy and strategic direction of the CSHSF whereas the principal secretary is the administrator of the Fund. The day-to-day activities of the CSHSF are handled through a secretariat.

(b) Principal Activities

The Constitution of Kenya under section 42 and 43 accords every person the right to a clean and healthy environment, and the right to accessible and adequate housing, and to reasonable standards of sanitation. The main objective of the Civil Servants Housing Scheme Fund is to facilitate access of housing to Civil Servants. The specific objectives for which the Fund was introduced as provided by legal notice No 98 on Civil Servants (Housing Scheme Fund) regulations include: -

- a) Providing housing loan facilities to civil servants for the purpose of either purchasing or constructing a residential house.
- b) Developing housing units for sale and for rental by civil servants and,
- c) Mobilizing funds for the implementation of the above.

Mandate

Facilitate civil servants access affordable housing through provision of mortgage and loan facilities for housing purchase or construction; development of housing for sale and rental; mobilization of financial resources for housing delivery to civil servants; and estate management of fund houses.

Vision of the Department:

Excellent, Affordable, Adequate housing for Civil Servants.

Mission of the Department:

To facilitate and empower Civil Servants to own affordable housing in secure environments through loan facilities for development or purchase of houses.

I. II. SCHEME MANAGEMENT COMMITTEE

The Fund is administered by the Accounting Officer / Principal Secretary of the Ministry for the time being responsible for matters related to housing. Management of the Fund is overseen by the Scheme Management Committee (SMC) for the reporting period comprising:

- i. Officer administering the Fund,
- ii. Principal Secretary responsible for the National Treasury
- iii. Principal Secretary responsible for Labour, Social Security and Services
- iv. Principal Secretary responsible for Human Resource Management and Development
- v. Principal Secretary responsible for Infrastructure
- vi. Principal Secretary responsible for Coordination of National Government.
- vii. The Attorney General.

The scheme is administered by the administrator through a secretariat which carries out the day to day activities of the Fund. The Officer in charge of the Fund Secretariat is the Secretary to the SMC. The Director is assisted by project management, estate management and scheme accountant teams.

(c) Fiduciary Management

During the financial year under focus CSHSF operations were undertaken by the Fund Secretariat and administered by “the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development; Ministry of Lands, Public Works, Housing, Urban Development. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the period ended 30th June, 2024 which show the state of the Fund affairs. The key management personnel who held office during the period ended 30th June, 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	- Charles M. Hinga, CBS
2.	Secretary, Housing	- Said Athman
3.	Director, CSHSF	- Julius Wairagu

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June 2024

(d) Fiduciary Oversight Arrangements

The overall oversight role of the Fund lies with the parliamentary Special Funds Accounts Committee. Pursuant to section 18 of the Government Financial Management Act, 2004 and section 9 (e) of the legal notice no. 168 (Legislative Supplement No. 51) of 22nd December 2006, the Fund Auditors remains the Auditor General of the Government of Kenya. Internal audit for the Scheme is carried out by the audit section within the Ministry of Lands, Public Works, Housing, and Urban Development.

(e) Entity Headquarters

ARDHI House, Ground Floor, Ngong Road
P.O. Box 30119-00100
NAIROBI.

(f) Entity Contacts

Telephone: (254) 2718050
Cel; 0742655955
E-mail: csfd@housingandurban.go.ke
Website: www.housingandurban.go.ke

(g) Entity Bankers

KCB Bank (Kenya) Limited
Milimani Branch
A/C No 1170913962
P O Box 69695 - 00100
NAIROBI





(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya





(i) Principal Legal Adviser

The Attorney General
Office of the Attorney General and Department of Justice
Harambee Avenue
P O Box 40112
City Square 00200
Nairobi, Kenya




II. SCHEME MANAGEMENT COMMITTEE (SMC) MEMBERS OF THE CIVIL SERVANTS HOUSING SCHEME FUND (CSHSF)

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 Mr. Charles M. Hinga, CBS	Principal Secretary for Housing and Urban Development and Officer administering the Fund	Charles is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa. His core competencies include project and structured finance, deal structuring and business development. Until the time of his appointment as the Principal Secretary of Housing, Urban Development and Public Works, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.
 Mr. Moses Gathui Njane	Representing the Principal Secretary, National Treasury	Moses Gathui Njane Certified Public Accountant and Member of ICPAK Holds Masters of Science in Commerce (Finance and Investment) and Bachelor of Commerce (Finance option) both from KCA University Currently Assistant Director of Budget in the Budget Department, National Treasury With 15 years' experience in Public financial management focusing on national government budget preparation and implementation
 Dr. William K. Kiprono, EBS	Representing the Principal Secretary, Labour	Dr. William K. Kiprono is the Secretary of Administration for the State Department for Labour. He holds a Doctorate Degree (PhD) in Educational Management. He has a wealth of experience in the civil service spanning over 33 years.
 Dr. Muriuki Mbijiwe	Representing the Principal Secretary, Public Service	A Director of Human Resource Management and Development with over 30 years' experience in various sectors of Public Service. A holder of B.Ed (Moi University), MBA-HRM (Kenya Methodist University) and PhD- HR & Org. Behaviour (Osmania University, Hyderabad). Served as Board/ Council member representing the Ministry of Public Service in IHRM and Salaries and Remuneration Commission.

Civil Servants Housing Scheme Fund
 Annual Report and Financial Statements
 For the Financial Year Ended 30th June 2024

 Mr. Paul Famba	Representing the Principal Secretary, Interior	Secretary of administration in the Ministry of Interior and national coordination. Holds a Bachelor of Arts degree from the University of Nairobi and a Master of Arts degree in Peace and Conflict Management from Kenyatta University.
 Mathew Y. Tarus	Representing the Principal Secretary, Roads	Senior Deputy Secretary. Graduate from Egerton University BED (Arts). Over 30 year experience in the public service with a wide range experience in the field of Education and Administration. Attended various Courses /Trainings in both local and abroad.
 Biliah K. Mwinzi	Representing the Attorney General	Biliah is an advocate of the High Court of Kenya with over 15 years post admission experience. She holds a Bachelor of Laws (LLB,Hons) degree and from Moi University and a Post Graduate Diploma in Legal Studies from the Kenya School of Law. She is a member of the Law Society of Kenya. Biliah is a Deputy Chief State Counsel at the Office of the Attorney General and Department of Justice, currently under the Public Trustee Division where she heads the Trusts Section
 Arch. Julius G. Wairagu	Director, Civil Housing Scheme Fund	Bachelor of Architecture Registered Architect

IV. SECRETARIAT MEMBERS OF THE CIVIL SERVANTS HOUSING SCHEME FUND (CSHSF)

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 Arch. Julius G. Wairagu	Director, Civil Servants Housing Scheme Fund	Bachelor of Architecture Registered Architect
 Mr. Boniface M. Ngochi	Estate Manager	<ul style="list-style-type: none"> • MA Planning (Urban & Regional Planning) • BA(Hons)Land Economics • Full Member of the Institution of Surveyors of Kenya (MISK) • Graduate Member of the Kenya Institute of Planners
 CPA. Lucy Njeri Mbira	Scheme Accountant	<ul style="list-style-type: none"> • MBA(Finance) • B Com (Accounting) • CPA(K) • Member Institute of Certified Public Accountants ICPAK)

V. CABINET SECRETARY'S STATEMENT

The Cabinet Secretary's Report

To ensure adequate and affordable access to housing to civil servants, the civil servants housing scheme regulations were reviewed through the civil Servants Housing Scheme Fund Amendment Regulations 2015. Key amendments were: -

- i. The Loan repayment period was prolonged from 18 years to 20 years to facilitate low monthly loan repayments by beneficiaries.
- ii. Maximum loan facilitation under the Scheme was raised from Kshs 5,000,000 to between Kshs 4,000,000 and 20,000,000 depending on one's job group.
- iii. Introduction of provisions for engagement of partners in construction projects to take advantage of private sector resources through Public Private Partnerships (PPP).
- iv. Down payment for construction loans was lowered from 30% to 10% to ensure high initial costs don't deter civil servants from accessing housing loans.
- v. The Scheme was limited to employees working in a Ministry within National Government

VI. REPORT OF THE PRINCIPAL SECRETARY

Administrator of Fund Report

The Management of the Fund is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The management of the Fund further accepts the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund had at 30th June, 2024 accomplished the following: -

a. Houses directly financed by the Fund

- A total of 32 civil servants were financed by the CSHSF to purchase housing units sold by the National Housing Corporation (NHC) in Madaraka estate and National Social Security Fund (NSSF) in Embakasi and Langata estates.

b. Constructed houses for Sale

i. Nairobi

A total of 747 housing units have been constructed through the Fund and sold on outright and tenant purchase basis in Nairobi. The constructed and sold houses are 559 in Ngara, 50 in Kilimani, 40, 22 and 26 in Kileleshwa, Nyeri Road, Makueni Road and Gichugu Road respectively and 50 in Jogoo Road.

A total of 567 housing units in Park Road were purchased from the affordable Housing Program and allocated to Civil Servants at a cost of Kshs 1,736,721,950. Park Road, Nairobi housing project was developed by the State Department for Housing and Urban Development under the Affordable Housing Programme (AHP). The project consists of construction of 1,370 No. one, two- and three-bedroom units, commercial facilities nursery school and related infrastructural facilities. 548 (40%) of the housing units have been allocated to civil servants in the National Government and National Police Service officers. The Fund facilitated the officers to acquire the 567 housing units to the tune of KShs. 1,736,721,950 distributed as 31 No. one bedroom units of 30 sqm, 116 No. two bedroom units of 40 sqm, 166 No. two bedroom units of 60 sqm, 103 No. three bedroom units of 60 sqm and 151 No. three bedroom units of 80 sqm

ii. Kisumu

A total of 250 housing units have been constructed through the Fund out of which 210 are for sale and 40 for rental. The 210 units are fully sold either on outright purchase or tenant purchase scheme terms. The rental units are fully occupied.

iii. Kiambu, Machakos and Embu

A total of 193 housing units in Kiambu; 220 housing units in Embu and 200 housing units in Machakos have been advertised for sale and successful applicants have been issued with allocation letters. Beneficiaries have taken possession of the houses

iv. Mavoko Project

The scheme also purchased 227 units in Mavoko Athi River from KENSUP at a cost of Kshs 632million. The units were allocated to successful applicants. The units are occupied

v. Nakuru Project

The scheme purchased 120 units at a cost of Kshs.413,850,000 for sale to Civil servants The projects is complete and the units are on sale

c. Projects under construction

The Scheme is partnering with strategic development partners in development of housing projects in various sites under the Affordable Housing Programme. The Projects under development include Ruiru Housing Project which will deliver 1050 No. housing units, Thika Housing Project which will deliver 975 No. housing units, Shauri Moyo A Housing Project which will deliver 1,848 No. Housing units, Shauri Moyo B Housing Project which will deliver 3,006 No. housing units and Starehe Housing Project which will deliver 1,710 No. housing units.

The Scheme will reserve and purchase a number of housing units in these development for sale to Civil Servants.

d) Granting of Mortgage Loans to Civil Servants

The Fund had as at 30th June, 2024, facilitated 1617 civil servants with mortgage loans for construction and purchase amounting to about Kshs. 8.46 Billion through KCB Bank (Kenya) Limited (KCB) and Housing Finance Company (HFC) as shown in the table below.

S/No	Bank	Number of Civil Servants (FY 2023/2024)	Amount (Kshs.)
1	KCB	1,085	5,844,419,968.85
2	HFC	532	2,612,827,744.05
3	Total	1,617	8,457,247,712.90

Quarterly Performances for FY 2023/2024

The table below shows the quarterly performance in the year under review.

S/No.	Bank	Q1		Q2		Q3		Q4	
		No. of Beneficiaries	Amount in Kshs.	No. of Beneficiaries	Amount in Kshs.	No. of Beneficiaries	Amount in Kshs.	No. of Beneficiaries	Amount in Kshs.
1	KCB	25	161,107,838	24	188,871,341	21	154,706,186	20	117,820,000
2	HFC	8	51,390,000	3	20,760,000	9	55,093,627	5	35,200,000
3	Total	33	212,497,838	27	209,631,341	30	209,799,813	25	153,020,000

From the above table, Q1 had the highest number of beneficiaries of 33 no. and the largest amount of Kshs. 212,497,838.

Financial Year 2023/2024 as at June 2024

S/No	Bank	Number of Civil Servants FY 2023/2024	Number of Civil Servants FY 2022/2023	Amount (Kshs.) FY 2023/2024	Amount (Kshs.) FY 2022/2023
1	KCB	90	67	622,505,365	452,024,055
2	HFC	25	23	162,443,627	175,259,855
	Total	115	90	784,948,992	627,284,910

In the financial year under review, 115 civil servants were financed with mortgage loans amounting to Kshs 785 million. There was an increase in uptake of loans by Kshs. 157,664,082

e) Houses Constructed and Rented to Civil Servants

Out of the houses developed through the Fund, a total of 451 housing units have been reserved for rental to civil servants. The rented flats are 140 No. in Shauri Moyo estate; 175 No. in Jogoo Road estate and 40 No. in Kisumu Shauri Moyo estate and 96 No. in Ngara estate. The rental units in Ngara were in the process of being sold out.

Unallocated Houses

The scheme has 164 units in Embu and 92 units in Machakos available for sale. The management has engaged a private property agent to enhance marketing of the units as well increased public awareness to facilitate sale of the unallocated units.

g) Commercial Premises

Development of Ngara housing project comprised the housing units and;

- a) Shopping Centre
- b) Nursery School complex

The facilities are for rental purpose.

During the financial period, the Fund achieved the following:

- i. 115 civil servants were financed with mortgage loans amounting to Kshs 785 million for either purchase or construction of residential houses.
- ii. The department offered for sale 96 no housing units in Ngara Desai with priority being given to the occupants.
- iii. The department had sold 126 no. houses in Machakos and 72 no. houses in Embu as at 30th June, 2024.
- iv. The department had sold 57 no. houses in Ruiru and 37 no. houses in Nakuru Bondeni.
- v. The performance of the department in the period ended 30th June, 2024 relative to the previous year was better.

Challenges

The above achievements were realized amidst various challenges that hindered the fast realization of the Fund's objectives:

- i. Allocation of government land earmarked for construction projects to private individuals or developers
- ii. Delayed remittance of CSHSF monies by Government Ministries, Departments, Agencies and County Governments.
- iii. Remittance of CSHSF monies to wrong accounts by Government Ministries, Departments, Agencies and County Governments.
- iv. Inadequate capacity despite enlargement of the Fund's portfolio.
- v. Delay in completion of construction projects which defers realization of funds for use in other projects.

- vi. Lack of ownership documents for houses for sale.

There is need for the department to liaise with the National Land Commission to establish the status of government land reserved for housing purposes. Where government land identified for development has been irregularly allocated, the titles should be cancelled. Land should be set aside for future housing development.

A going concern

Nothing has come to the attention of the management of the Fund to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement

VIII. CORPORATE GOVERNANCE STATEMENT

The Members of the Scheme Management Committee are listed in page 6 to 8 above. the functions of the Committee are to; determine and regulate interest payable by loanees; approve all housing development and financing proposals; develop equitable criteria for the beneficiaries of the Fund; establish management guidelines and engage such staff as may be necessary to assist the Committee and the officer administering the Fund among others.

The SMC approved purchase 40% of units developed under the AHP and sale of the units to civil servants. That will improve access of housing to Civil Servants.

The management is fully committed to protect Government interest in the Fund by ensuring housing is accessible and affordable to civil servants and Public Funds are protected. This will ultimately transform the CSHSF into a Revolving Fund.

The management of the Fund is of the opinion that the financial statements give are true and fair view of the state of the financial affairs of the Fund and of its operating results. The management of the Fund further accepts the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

IX. REPORT OF THE SCHEME COMMITTEE

The Directors submit their report together with the audited financial statements for the period ended 30th June, 2024 which show the state of the Civil Servants Housing Scheme Fund's affairs.

Principal activities

The key strategic priorities for the year were

- i. Facilitation of at least 115 civil servants with loans to buy or construct residential houses.
- ii. Purchase of 227 houses under the Mavoko sustainable neighbourhood program and allocation to civil servants
- iii. Complete construction and sale of 193 units in Kiambu and 220 units in Embu
- iv. Initiation of Public Private partnership process for construction of houses in Nakuru, Ruiru and Thika
- v. Initiation of Public Private partnership process for construction of Shauri Moyo and Starehe Estate where the Fund will buy a percentage of the units for sale to civil servants
- vi. Raise funds for the fund activities and prudent management of the finances.

Results

The results of the entity for the year ended 30th, June, 2024 set out on page 1 to 56

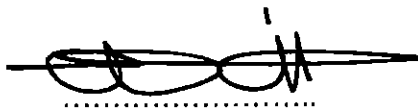
Directors

The members of the scheme committee who served during the year are shown on page 6 to 9.

Auditors

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

By Order of the Scheme Management committee



Principal Secretary

State Department of Housing and Urban Development

Date: 22nd October 2024

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Civil Servants Housing Scheme Fund, which give a true and fair view of the state of affairs of the Civil Servants Housing Scheme Fund at the end of the financial year and the operating results of the Civil Servants Housing Scheme Fund for that year.

The Directors are also required to ensure that they keep proper accounting records which disclose with reasonable accuracy the financial position of the Civil Servants Housing Scheme Fund. The Directors are also responsible for safeguarding the assets of the Civil Servants Housing Scheme Fund.

The Directors are responsible for the preparation and presentation of the Civil Servants Housing Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2024.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Civil Servants Housing Scheme Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Civil Servants Housing Scheme Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Civil Servants Housing Scheme Fund financial statements give a true and fair view of the state of Civil Servants Housing Scheme Fund's transactions during the financial year ended June 30, 2024, and of the Civil Servants Housing Scheme Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Civil Servants Housing Scheme Fund, which have been relied upon in the preparation of the Civil Servants Housing Scheme Fund's financial statements as well as the adequacy of the systems of internal financial control.

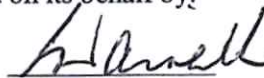
Nothing has come to the attention of the Directors to indicate that the Civil Servants Housing Scheme Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Civil Servants Housing Scheme Fund's financial statements were approved by the Scheme Management committee on 27th September, 2024 and signed on its behalf by:



Charles M. Hinga, CBS
Principal Secretary
22nd October 2024

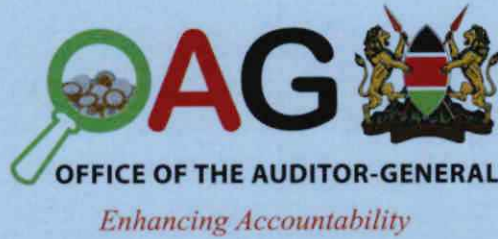


Julius Wairagu
Director/CSHSF
22nd October 2024

III. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF CSHS.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CIVIL SERVANTS HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Civil Servants Housing Scheme Fund set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Civil Servants Housing Scheme Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Outstanding Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.8,504,525,956 which, as disclosed in Not 17a and 17b to the financial statements constitutes amounts of Kshs.499,232,439 and Kshs,8,005,293,516 in respect of the current receivables from exchange transactions and long-term receivables from exchange transactions, respectively. However, the current receivables from exchange transaction balance of Kshs.499,232,439 includes amounts of Kshs.109,647,558 and Kshs.360,511,951 in respect of amounts owed by the Principal Secretary, State Department for Lands and Physical Planning, and rent and services charge arrears, respectively which has been outstanding for over ten (10) year.

Further, the long-term receivables from exchange transactions balance of Kshs.8,005,293,516 includes amounts of Kshs.8,680,397 and Kshs.884,412 in respect of loan arrears and interests respectively, owed by one officer, that has been outstanding for a period of over one year. Although Management provided demand letters issued to the defaulter, the amount remained outstanding as at 30 June, 2024.

In addition, no provision for bad and doubtful debts has been made in the financial statements

In the circumstances, the accuracy and recoverability of the long outstanding receivables balance could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.916,048,427 and Kshs.520,199,446 respectively, resulting to under-funding of Kshs.395,848,981 or 43% of the budget. However, the Fund spent an amount of Kshs.246,500,967 against actual receipts of Kshs.520,199,446 resulting to an under-utilization of Kshs.273,698,479 or 53% of the actual receipts.

The underfunding and underperformance affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified on the effect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualification Opinion section of my report, I have determined there were no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under Basis for Qualified Opinion and two issues under Other Matter. These issues therefore remained unresolved contrary to the provisions of Section 149(2)(l) of the Public Finance Management Act, 2012 which require the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Oversight Committee is responsible for the other information set out on page iii to xviii which comprise of Key Entity Information and Management, Scheme Management Committee, Scheme Management Committee Members of the Civil Servants Housing Scheme Fund, Cabinet Secretary's statement, Report of the Principal Secretary,

Management discussion and analysis, Corporate Governance Statement, Report of the Scheme Committee, Statement of Directors' Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Civil Servants Housing Scheme Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

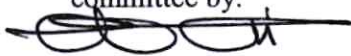
Nairobi

16 December, 2024

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE, 2024

	Notes	2023-2024	2022-2023
		Kshs	Kshs
Revenue from exchange transactions			
Mortgage Interest	6	209,590,844.15	216,305,023.38
Investment Interest	7	265,798,427.63	198,446,396.65
Bank Interest	8	4,532,146.55	12,204,570.05
Rental revenue from facilities and equipment	9	39,905,028.00	53,425,574.00
Finance income			
Other income-sale of form	10	373,000.00	629,000
Total revenue		520,199,446.33	481,010,564.08
Expenses			
Boards/Council expenses	11	3,243,900.00	8,888,880
Use of goods and services	12	211,849,598.57	152,801,036.40
Depreciation & Amortization expenses	13	23,519,358.78	24,037,350.88
Repairs and maintenance	12	7,888,109.88	9,301,004.83
Contracted services	15		2,267,000.00
Total expenses		246,500,967.23	197,295,272
Other gains/(losses)			
Surplus/(deficit) for the period/year		273,698,479.10	283,715,292.08
Remission to National Treasury			
Net Surplus for the year		273,698,479.10	283,715,292.08

The notes set out on pages 10 to 57 form an integral part of these Financial Statements.
The Financial Statements set out on pages 1 to 9 were signed on behalf of the Scheme Management committee by:



.....
Charles M. Hinga, CBS
Principal Secretary
Date: 22nd October, 2024



.....
Julius Wairagu
Director/CSHSF
Date: 22nd October, 2024



.....
CPA. Lucy Mbira
ICPAK Member 15517
Date: 22nd October, 2024

V. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2024

	Notes	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	2,570,005,988.16	2,969,479,685.51
Current portion of receivables from exchange transactions	17(a)	499,232,439.15	497,012,310.36
Trade debtors Receivables from non-exchange transactions	17(a)	0	0
Work in Progress	18	1,134,386,876.09	1,189,895,263.59
Total Current Assets		4,203,625,303.40	4,656,387,259.46
Non-Current Assets			
Net Land & Buildings Rental-Investment Property	20	822,046,895.47	843,125,021
Land & Buildings (Unallocated Houses)		1,054,600,000.00	1,152,700,000.00
Net Property Plant & Equipment	20	12,573,715.75	14,039,218
Long term receivables from exchange transactions	17(b)	8,005,293,516.93	7,167,222,241.55
Total Non- Current Assets		9,894,514,128.15	9,177,086,481
Total Assets		14,098,139,431.55	13,833,473,740
Liabilities			
Current Liabilities			
Trade and other payables	21	739,275,523.16	748,308,310.19
Total Current Liabilities		739,275,523.16	748,308,310.19
Non-Current Liabilities			
Borrowings			-
Total Non- Current Liabilities			-
Total Liabilities	21	739,275,523.16	748,308,310.19
Net assets			
Reserves		3,667,302,547.53	3,383,587,255.45
Surplus		273,698,479.10	283,715,292.08
Capital Fund bf		9,417,862,881.76	9,417,862,881.76
Total Net Assets		13,358,863,908.39	13,085,165,429.29
Total Net Assets and Liabilities		14,098,139,431.55	13,833,473,740

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June 2024

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Scheme Management committee by:



.....
Charles M. Hinga, CBS
Principal Secretary
Date. 22nd October, 2024



.....
Julius Wairagu
Director/CSHSF
Date. 22nd October, 2024



.....
CPA. Lucy Mbira
ICPAK Member 15517
Date. 22nd October, 2024

VI. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30th JUNE, 2024

	Notes	Ordinary share capital	Revaluation on reserve	Fair value adjustment reserve	Retained earnings	Mortgage Deposit	Capital/Development Grants/Fund	Total
As at July 1, 2022		0	0	0	3,383,587,255	0	9,342,862,881.76	12,726,450,137
Issued new capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ Deficit for the year		-	-	-	283,715,292.08	-	-	283,715,292.08
Capital/Development grants received during the year		-	-	-	-	-	75,000,000.00	75,000,000.00
Property Validation and rental collections reserves								
Accounts payable 10% deposits reserves								
Reserves on Sale of Houses								
Capital Reserves								
Deposit for Houses								
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – 2020		-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2021		-	-	-	(-)	-	(-)	(-)
Proposed final dividends		-	-	-	(-)	-	(-)	-
As at June 30, 2023		-	-	-	3,667,302,547.53	-	9,417,862,881.76	<u>13,085,165,429.29</u>
As at July 1, 2023		-	-	-	3,667,302,547.53	-	9,417,862,881.76	13,085,165,429.29
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June 2024

	notes	Ordinary share capital	Revaluation on reserve	Fair value adjustment reserve	Retained earnings	Mortgage Deposit	Capital/ Development Grants/Fund	Total
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ deficit for the period		-	-	-	273,698,479.10	-	-	273,698,479.10
Capital/Development grants received during the year		-	-	-	-	-	-	-
Property Validation and rental collections reserves								
Accounts payable 10% deposits reserves								
Reserves on Sale of Houses								
Deposit for Houses								
Revenue Reserves								
Capital Reserves								
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – 2024		-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2024		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
As at June 30, 2024		-	-	-	3,941,001,026.63		9,417,862,881.76	13,358,863,908.39

VII. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30th June, 2024

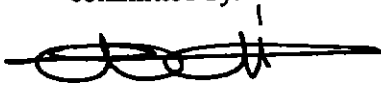
Description	Note	2023-2024	2022-2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Mortgage interest	6(a)	207,260,027.46	225,226,740.39
Investment Interest	7(a)	265,798,427.63	206,623,062.65
Bank interest	8(a)	4,532,146.55	15,018,045.45
Rental Income	9(a)	40,015,715.90	70,231,098.35
Sale of form	10	373,000.00	629,000
Total receipts		517,979,317.54	517,727,946.84
Payments			
Boards and Committee Expenses	11	3,243,900.00	8,888,880
Use of goods and services	12	211,849,598.57	152,801,036.40
Repairs and Maintenance	14	7,888,109.88	9,301,004.83
Contracted Services	15	0.00	2,267,000
Total payments		222,981,608.45	173,257,921.23
Cash Flow from operating activities		294,997,709	344,470,026
Cash Flows from investing activities			
Purchase of PPE and intangible assets	19(a)	(975,730.00)	(3,963,290)
Unallocated Houses	19(c)	153,608,387.50	1,023,241,222.41
Mortgage Recoverable SCHEME	17(d)	88,137,793.45	(354,068,437)
Mortgage Recoverable KCB S&L	17(b)	(479,954,071.82)	(212,825,825)
Mortgage Recoverable HFCK	17(c)	(432,481,744.41)	108,518,599.16
Group Insurance	17(b)	(13,773,252.60)	(7,626,210)
Net Cash Flows used in investing activities		(685,438,618)	553,276,060
Cash Flows from financing activities			
Transfers from Parent Ministry		0	75,000,000
Capital Reserve		0	0
Accounts Payable (10% deposit)		0	0
Property Validation & Rental Collection		0	0
Reserve on sale of houses		0	
Deposit for Houses	21	(24,830,668.08)	(46,898,529.00)
Other Payables	21	15,797,881.05	(177,731,704)
Net Cash Flows used in financing activities		(9,032,788)	(149,630,233)
Net increase/(decrease) in cash and cash equivalents		(399,473,697)	748,115,853.51

Civil Servants Housing Scheme Fund
 Annual Report and Financial Statements
 For the Financial Year Ended 30th June 2024

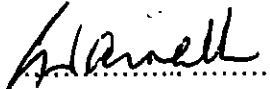
Cash and cash equivalents at 1 st July 2023	16	2,969,479,685.51	2,221,363,832
Cash and cash equivalents at 30 th June 2024	16	2,570,005,988.51	2,969,479,685.51

The statement of Cash flow is presented using the direct method.

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Scheme Management committee by:



.....
 Charles M. Hinga, CBS
 Principal Secretary
 Date. 22nd October, 2024



.....
 Julius Wairagu
 Director/CSHSF
 Date. 22nd October, 2024



.....
 CPA. Lucy Mbiru
 ICPAK Member 15517
 Date. 22nd October, 2024

**VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD
ENDED 30th JUNE, 2024**

	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from parent Ministry, Mortgage and Rent through the fund	535,000,000.00		535,000,000.00	135,627,592.00	399,372,408.00	25%
Mortgage Interest HFCK and KCB S&L	110,000,000.00	-	110,000,000.00	113,868,280.15	(3,868,280.15)	104%
Investment Interest	265,798,427.63	-	265,798,427.63	265,798,427.63	-	100%
Bank Interest	5,000,000.00	-	5,000,000.00	4,532,146.55	467,853.45	91%
Other income	250,000.00	-	250,000.00	373,000.00	(123,000.00)	150%
Total income	916,048,427.63	-	916,048,427.63	520,199,446.33	395,848,981.30	57%
Recurrent Expenditure						
Board/Council expenses	20,000,000.00	-	20,000,000.00	3,243,900.00	16,756,100.00	16%
Use of goods and services	224,100,000.00	-	224,100,000.00	211,849,598.57	12,250,401.43	94%
Depreciation and amortization expense	23,519,358.78	-	23,519,358.78	23,519,358.78	0	100%
Repairs and maintenance	14,650,000.00		14,650,000.00	7,888,109.88	6,761,890.12	53%
Contracted services	15,000,000.00	-	15,000,000.00	-	15,000,000.00	0%
Total expenditure	297,269,358.78		297,269,358.78	246,500,967.23	50,768,391.55	83%
Surplus for the period				273,698,479.10		
Acquisition of Assets	61,000,000.00		61,000,000.00	26,239,200.00	34,760,800.00	43%
Group Insurance for Mortgage Protection	30,000,000.00		30,000,000.00	17,740,640.00	12,259,360.00	59%
Development Expenditure	2,645,500,000.00		2,645,500,000.00	1,150,402,412.50	1,495,097,587.50	43%
Grand Total Recurrent and Development Expenditure	3,033,769,358.78		3,033,769,358.78	1,194,382,252.50	1,839,387,106.28	39%

Budget notes

The budget never changed during the financial year. (IPSAS 24.29)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Civil Servants Housing Scheme Fund (CSHSF) was established when The Civil Servants Housing Scheme Fund Regulation, 2004 were gazetted through legal notice no. 98 dated 15th September 2004 under the housing act Cap 117. This was after the cabinet approved the establishment of the Fund. Further on the Civil Servants (Housing Scheme Fund) (Amendment) Regulation, 2015 were gazetted as legal notice No. 231 of 7th December 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of affordable houses to civil servants.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2022.***

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022*

IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purposes financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. **Summary of Significant Accounting Policies**

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

ii) **Revenue from exchange transactions**

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023-2024 was approved by the Scheme Management Committee on 11th August, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriations on the 2023/2024 budgets following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 7 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. The depreciation of the investment property is calculated at a rate 2.5% of the cost on reducing balance.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. The depreciation of plant and equipment is calculated at cost on reducing balance as shown below:

	Description	Rate
1	Motor Vehicles	25%
2	Furniture and Fittings	10%
3	Office Equipment	25%
4	Computers and Accessories	25%

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at

the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no

Reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

m) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

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

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

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual values

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Mortgage Interest

Description	2023-2024	2022-2023
	KShs	KShs
-Mortgage Interest Scheme	95,722,564.00	91,079,709.00
-Mortgage Interest KCB S & L	82,630,786.25	96,706,329.90
Mortgage Interest HFCK	31,237,493.90	28,518,984.48
Total	209,590,844.15	216,305,023.38

Note: Mortgage interest is charged at 5% per annum

6(a) Mortgage Interest for Statement of Cashflows

Description	2023-2024	2022-2023
	KShs	KShs
-Mortgage Interest Scheme	209,590,844.15	216,305,023.38
-Mortgage Interest Receivable	(29,183,617.68)	(26,852,800.99)
Mortgage Interest	26,852,800.99	35,774,518
Total	207,260,027.46	225,226,740.39

7. Finance Income -Investment Interest

Description	2023-2024	2022-2023
	KShs	KShs
-CBK	0.00	108,798,300.00
-KCB	137,849,898.40	48,934,849.65
-HFCK	127,948,529.23	40,713,247.00
Total	265,798,427.63	198,446,396.65

Note: These are investment interest derived from deposits on call at prevailing market rates)

7 (a) Investment Interest for Statement of Cash flows

Description	2023-2024	2022-2023
	KShs	KShs
Investment Interest	265,798,427.63	198,446,396.65
Investment Interest Receivable	0.00	8,176,666
Total	265,798,427.63	206,623,062.65

8. Bank Interest

Description	2023-2024	2022-2023
	KShs	KShs
Credit interest on bank balance-KCB Q1	2,143,456.50	0
Credit interest on bank balance-KCB Q2	1,011,894.65	3,886,055.75
Credit interest on bank balance-KCB Q3	581,814.00	0
Credit interest on bank balance-KCB Q4	794,981.40	8,318,514.30
Total	4,532,146.55	12,204,570.05

Note: These are Interests on credit bank balances paid quarterly by the bank

8 (a) Bank Interest for Statement of Cash flows

Description	2023-2024	2022-2023
	KShs	KShs
Bank Interest	4,532,146.55	12,204,570.05
Bank Interest Receivable	0.00	2,813,475
Total	4,532,146.55	15,018,045.05

9. Rental Income

Description	2023-2024	2022-2023
	KShs	KShs
Rental income	39,905,028.00	53,425,574.00
Total Rental Income	39,905,028.00	53,425,574.00

9 (a) Rental Income for Statement of Cash flows

Description	2023-2024	2022-2023
	KShs	KShs
Rent Income	39,905,028.00	53,425,574.00
Rent received in arrears	110,687.90	16,805,524.35
Total	40,015,715.90	70,231,098.35

Note: Rent received in arrears of Kshs. 110,687.90 relates to a portion of the receivable in financial year 22/23 which was received in the financial year 23/24

10. Other Income

Description	2023-2024	2022-2023
	KShs	KShs
Other Income-Sale of tender		0
Sale of form	373,000.00	629,000
Total other income	373,000.00	629,000

11. Board /Council Expenses

Description	2023-2024	2022-2023
	KShs	KShs
Chairman Allowance	119,280.00	160,000.00
Members Allowance	686,560.00	560,000.00
Travel and Accommodation	481,160.00	2,320,000.00
Transport		
Air ticket		
Airtime calling cards, Internet		480,000.00
Stationery		1,392,000.00
Training	1,956,900.00	3,976,880.00
Expenses- secretariat		
Total	3,243,900.00	8,888,880

12. Use of Goods and Services

Conference Seminars	11,295,428.00	9,653,080.00
Official Entertainment	4,965,633.00	4,913,871.00
Travel & Sundry Items	6,941,115.00	5,969,344.00
Accommodation	59,798,290.00	39,819,313
Advertisement Awareness Publicity	97,522,585.57	59,973,403.00
Publishing & Printing Services	293,065.00	427,400.00
General Office Supplies	14,753,839.00	10,948,050.00
Telephone & Mobile Services Airtime	1,466,000.00	1,310,000.00
Courier & Postal Services	18,400.00	152,000.00
Library Expenses	150,780.00	264,720.00
Training Expenses	8,892,424.00	8,975,630.00
Subscription, Membership fee	159,900.00	200,450.00
Electricity	336,953.00	4,578,374.40
Bank Charges	489,276.00	627,746.00
Surveying of scheme Properties	4,765,910.00	4,987,655.00
Total Expenses	211,849,598.57	152,801,036.40

13. Depreciation and Amortization Expense

Property, plant and equipment	23,519,358.78	24,037,350.88
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization	23,519,358.78	24,037,350.88

14. Repairs and Maintenance

Refurbishment of residential buildings	2,373,600.00	2,707,510.00
Refurbishment of office	0.00	14,430.00
Investment property – earning rentals		
Maintenance of Equipment	517,600.00	457,195.00
Motor Vehicle Repair	1,542,424.88	2,402,302.83
Furniture and fittings		
Supplies & Accessories for computer	3,440,385.00	3,616,467.00
Office Maintenance	14,100.00	103,100.00

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June, 2024

Total repairs and maintenance	7,888,109.88	9,301,004.83
--------------------------------------	---------------------	---------------------

15. Contracted Services

Description	2023-2024	2022-2023
	KShs	KShs
Guards & Cleaning Services	0.00	2,267,000.00
Property valuations		
Total contracted services	0.00	2,267,000.00

16. (a) Cash and Cash Equivalents

Description	2023-2024	2022-2023
	KShs	KShs
Cash book Balances		
-Deposit Account	115,684,525.76	851,732,536.56
-Operation Account	4,321,462.40	17,747,148.95
Sub-Total	120,005,988.16	869,479,685.51
Fixed Deposit Account		
CBK Issue No		
CBK Issue No.		
KCB	1,150,000,000.00	800,000,000.00
HFCK	1,300,000,000.00	1,300,000,000.00
Sub-Total	2,450,000,000.00	2,100,000,000.00
Total cash and cash equivalents	2,570,005,988.16	2,969,479,685.51

6.(b) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2023-2024	2022-2023
		KShs	KShs
a) Current account			
Kenya Commercial bank			
-Deposit Account		115,684,525.76	851,732,536.56
-Operations		4,321,462.40	17,747,148.95
Sub- total		120,005,988.16	869,479,685.51
b) On - call deposits			
Kenya Commercial bank due		1,150,000,000.00	800,000,000
CBK			0
CBK			0
-HFCK due 6/08/22		1,300,000,000.00	1,300,000,000
Sub- total		2,450,000,000.00	2,100,000,000
Grand total		2,570,005,988.16	2,969,479,685.51

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Receivables from Exchange Transactions

17(a) (i) Current Receivables from Exchange Transactions- Debtors & Accounts Receivable

	2023-2024	2022-2023
	KShs	KShs
Current receivables		
Debtors Accounts Receivable	0	0
Debtors Ps Lands	109,647,557.72	109,647,557.72
Rent arrears and Service charge arrears	360,401,263.75	360,511,951.65
Mortgage arrears- HFCK		
Mortgage Interest HFCK and KCB	29,183,617.68	26,852,800.99
Investment interest arrears	0.00	0.00
Credit interest on Bank Balances	0.00	0.00
Total current receivables	499,232,439.15	497,012,310.36

17(a) (i) Trade receivables from exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Trade and other Receivables		
Trade Receivables	0	0
Total current receivables	0	0

17(b) Long- term Receivables from Exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Mortgage Recoverable from Scheme	2,742,128,732.76	2,830,266,526.21
Mortgage Recoverable from KCB (S & L)	3,590,477,498.92	3,110,523,427.10
Mortgage Recoverable HFCK	1,587,069,050.14	1,154,587,305.73
Group Insurance Recoverable	85,618,235.11	71,844,982.51
Total non-current receivables	8,005,293,516.93	7,167,222,241.55
Total receivables (a+b)	8,504,525,956.08	7,664,234,551.91

Note: Total non-current receivables of Kshs. 8,034,477,134.61 is the total loan balance as at 30th June 2024, however Mortgage Recoverable HFCK and KCB S&L includes Unutilized funds of Kshs. 396,473,380.17 and Kshs. 210,936,278.75 respectively.

17(c) Long- term Receivables from Exchange Transactions for cashflow (Mortgage recoverable HFCK)

Description	2023-2024	2022-2023
	KShs	KShs
Mortgage Recoverable HFCK	(432,481,744.41)	(34,144,321.26)

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June, 2024

Mortgage Recoverable HFCK Received	0	142,662,920.42
total	(432,481,744.41)	108,518,599.16

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17(d) Long- term Receivables from Exchange Transactions for cashflow (Mortgage Recoverable Scheme)

Mortgage Recoverable Scheme	58,954,175.77	(354,068,437.47)
Total	58,954,175.77	(354,068,437.47)

17(e) Long- term Receivables from Exchange Transactions for cashflow (KCB S&L)

Mortgage Recoverable KCB S&L	(479,954,071.82)	(212,825,825.00)
Total	(479,954,071.82)	(212,825,825.00)

18. Work-In-Progress

Work in progress		
Construction	23,895,263.59	23,895,263.59
Consultancy fees		
Statutory fees and other charges	402,412.50	
Retention		
Purchase of houses for sale	1,083,850,000.00	1,166,000,000.00
Facilitation of affordable Housing		0
Intangible Asset	26,239,200.00	
Total Work in Progress	1,134,386,876.09	1,189,895,263.59

Note:

- i) Purchase of Houses for Sale includes the housing units the scheme has purchases for sale to civil servants in Nakuru-Kshs.413,850,000, Thika- Kshs.300,000,000 and Ruiru-Kshs.370,000,000*
- ii) Intangible Asset of Kshs. 26,239,200.00 is the acquisition of a new ERP system which is in the initial implementation stage*
- iii) Statutory fees and other charges of Kshs. 402,412.50 is the commission paid to a property agent for sale of Embu houses.*

NOTES TO THE FINANCIAL STATEMENTS (Continued).

19. (a) Property, Plant and Equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	WIP	Total
	Shs	Shs	Shs	Shs	Shs		Shs
As at 1 st July 2022	1,092,379,368	4,016,156	11,948,271	51,895,607	998,300		1,161,237,702
Additions		0	2,894,340	430,550	638,400		3,963,290
Disposals							
Transfers/adjustments							
As at 30 June, 2023	1,092,379,368	4,016,156	14,842,611.00	52,326,157.00	1,636,700.00		1,165,200,992.00
As at 1 st July 2023	1,092,379,368	4,016,156	14,842,611.00	52,326,157.00	1,636,700.00		1,165,200,992.00
Additions		0	697,570.00		278,160		975,730.00
Disposals	(0)	(0)	-	-	-		(0)
Transfers/adjustments	0	(0)	0	(0)	-		(0)
As at 30 June, 2024	1,092,379,368	4,016,156	15,540,181.00	52,326,157.00	1,914,860.00		1,166,176,722.00
As at 1 st July 2022	(227,635,757)	(3,985,967)	(7,248,860)	(44,991,993)	(136,825)		(283,999,402)
Depreciation	(21,618,590.28)	(7,547.25)	(469,941.10)	(1,725,903.50)	(215,368.75)		(24,037,350.88)
Disposals							
Impairment							
Transfer/adjustment							
Total Depreciation	(249,254,347)	(3,993,514)	(7,718,801)	(46,717,897)	(352,194)		(308,036,753)
As at 1 st July 2023	(249,254,347)	(3,993,514)	(7,718,801)	(46,717,897)	(352,194)		(308,036,753)
Depreciation	(21,078,125.53)	(5,660.50)	(712,381)	(1,402,065.25)	(321,126.50)		(23,519,358.78)
Disposals							
Impairment							
Transfer/adjustment							
Total Depreciation	(270,332,473)	(3,999,175.50)	(8,431,182)	(48,119,962.25)	(673,321.50)		(331,556,114.25)
Net book values as at 30th June 2024	822,046,895.47	16,982.50	7,108,999	4,206,194.75	1,241,539.50		834,620,611.22
Net book values as at 30th June 2023	843,125,021	22,642	7,123,810	5,608,261	1,284,506		857,164,239.00

NOTES TO THE FINANCIAL STATEMENTS (Continued).

19. (b) Property, Plant and Equipment (Unallocated Houses)

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	2023-2024	2022-2023
	Kshs	Kshs
Land & Buildings (Unallocated Houses)	1,054,600,000.00	1,152,700,000.00
		0
Total	1,054,600,000.00	1,152,700,000.00

19 (c) Property, Plant and Equipment (Unallocated Houses) for Statement of Cashflows

Description	2023-2024	2022-2023
	KShs	KShs
Land & Buildings (Unallocated Houses) Additions	98,100,000.00	(356,032,666.00)
Decrease in W.I.P	55,508,387.50	1,379,273,888.41
Investment Property Additions	0	0
Total	153,608,387.50	1,023,241,222.41

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	4,016,156	4,016,156
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	4,016,156	4,016,156

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	9
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Investment Property

Shauri Moyo/Jogoo 315units (conversion costs)	572,739,443	572,739,443
Ngara Desai Road, Rental 96 units (conversion costs)	429,639,926	429,639,926
Shauri Moyo Kisumu	90,000,000	90,000,000
Additions		0
Disposal during the year		
Accumulated Depreciation	(270,332,473.53)	(249,254,347)
Impairment		
At end of the year	822,046,895.47	843,125,021

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

21. Trade Creditors- Payables

State Officers House Mortgage Fund	0.00	100,000,000.00
KENSUP (Mavoko Housing Project)	65,000,000.00	100,000,000.00
Service Charge	82,398,002.88	80,776,760.80
Retention	3,083,593.20	1,698,997.84
Other deposits	153,981,573.16	6,189,529.55
Rent Security Deposit	2,115,887	2,115,887
Bank Loans Repayments	17,894,156	17,894,156
Deposit for houses	414,802,310.92	439,632,979.00
Total trade and other payables	739,275,523.16	748,308,310.19

Note: Other deposits include funds received but temporarily not able to be credited to individual customer accounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Current Portion of receivables from Exchange Transactions	Rent and Service charge arrears are as a result of delayed or lack of sharing of the relevant schedules e.g. payroll by-products detailing remittances from various MDAs	Not Resolved	30/06/2025
1.2	Long Term receivables from Exchange Transactions	Demand letters were issued to defaulters for the outstanding amount	Resolved	
2.0	Long Outstanding Bank Reconciliation statements items	MDAs send remittances without corresponding schedules detailing the civil servants in whose favor the money is remitted.	Not Resolved	30/06/2025
3.0	Lack of ownership Documents	Lack of ownership Documents has been occasioned by delay in processing of titles at the State Department of Lands	Partially Resolved	30/06/2025

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June, 2024

- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Arch. Julius Wairagu

Director CSHSF



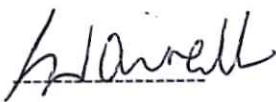
Date. 22nd October, 2024

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Housing and Urban Development				
FY 2023/2024				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
				FY 2023/2024
		Total	75,000,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	

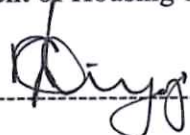
The above amounts have been communicated to and reconciled with the parent Ministry

Arch. Julius Wairagu
Director CSHSF

Sign 

22nd October, 2024

Charles S. Liyayi
Head of Accounting Unit
State Department of Housing & Urban Development

Sign 

22nd October, 2024

**Civil Servants Housing Scheme Fund
Annual Report and Financial Statements
For the Financial Year Ended 30th June, 2024**