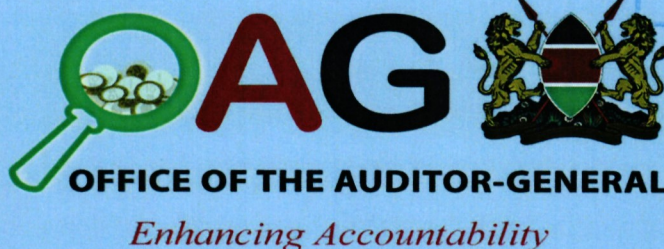


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REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

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DAY:
TUES.

TABLED
BY:

LOW

CLERK-AT

M. WANJIKU
mm

THE AUDITOR-GENERAL

ON

**STATE OFFICERS HOUSE MORTGAGE
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**STATE DEPARTMENT FOR HOUSING
AND URBAN DEVELOPMENT**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
28 JAN 2022
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**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN
DEVELOPMENT AND PUBLIC WORKS**

(STATE OFFICERS HOUSE MORTGAGE SCHEME FUND)

ANNUAL REPORT AND FINANCIAL STATEMENTS

AS AT 30TH June, 2021

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



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

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For the period ended 30th June 2021

I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information Principal activities

The State Officers House Mortgage Scheme Fund (SOHMSF) was established in 2015, through legal notice no. 23 of 6th March 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on mortgage benefit for State officers and other Public Servants in December, 2014. 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.

The Cabinet Secretary in charge for the National Treasury is responsible for the general policy and strategic direction of the SOHMSF whereas the principal secretary is the administrator of the Fund. The Cabinet Secretary to the National Treasury on July 2015 approved full delegation of the operations and management of the SOHMSF on interim basis to the Civil Servants Housing Scheme Fund (CSHSF).

(a) Principal Activities

The Constitution 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 Salaries and Remuneration Commission on 17th December, 2014 set and advised on the car and mortgage benefits for all state officers and other public officers in Kenya. The objective and purpose for which the Fund was established is to provide a loan Scheme for purchase or development of property by the State officers.



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

II. SCHEME MANAGEMENT COMMITTEE

The Fund is administered through the CSHSF 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 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, and
- vii. The Attorney General.

(b) Fiduciary Management

During the financial period under focus SOHMSF operations were undertaken by CSHSF Secretariat and administered by the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the third quarter ended 30th June 2021 which show the state of the Fund affairs. The key management personnel who held office during the financial period ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	- Charles M. Hinga, CBS
2.	Ag. Director CSHSF	- Simon Opondo

(c) Fiduciary Oversight Arrangements

The overall oversight role of the Fund lies with the Parliamentary Public 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

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

December 2006, the Fund Auditors remains the Auditor General of the Government of Kenya. Internal audit for the Scheme is carried by the audit section within the Ministry of Transport, Infrastructure, Housing and Urban development

(d) Entity Headquarters

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

(e) Entity Contacts

Telephone: (254) 2718050
E-mail: cs hd@housingandurban.go.ke
Website: www.housingandurban.go.ke

(f) Entity Bankers

Kenya Commercial Bank Ltd,
Milimani Branch
A/C No.1170913962
P O Box 69695 - 00100
NAIROBI

(g) Independent Auditors

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

(h) 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



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

III. Scheme Management Committee (SMC) Members of the Civil Servants Housing Scheme Fund (CSHSF)

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 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.
 Arthur Osiya, EBS	Representing the Principal Secretary, Interior	Arthur Osiya was born in 1967. He is a Secretary/National Administration in the State Department for Interior, Ministry of Interior and Coordination of National Government. He holds Bachelor of Arts, Government and Philosophy (Hons). He has attended various training as follows: Crisis Intervention in the Community, Masha, Israel; Strategic Leadership Development Programme; He previously worked as a County Commissioner and District Commissioner. He has over 30 years of experience.
 Boniface Orori Simba	Representing the Principal Secretary, National Treasury. Representing the Principal Secretary, Labour	Boniface Orori Simba is a Senior Administrative Secretary in the National Treasury with 26 years of public administration and management. He holds a Master of Business Administration, Strategic Management and a Bachelor Of Arts, Public Administration. Dr. William K. Kiprono is Secretary Administration for the State Department for Labour. He holds a bachelor's degree, master's degree and a doctorate degree. He has also attended various leadership and management courses. He has previously served as a Director, Kenya Wildlife Service. He has also served as a County Commissioner and a District Commissioner. He has over 30 years of experience.



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021




 <p>Dr. William K. Kiprono, PhD, EBS</p>	<p>Representing the Principal Secretary, Labour</p>	<p>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 e spanning 31 years</p>
 <p>Joyce K. Gichomo</p>	<p>Representing the Principal Secretary, Infrastructure</p>	<p>Mrs Joyce K. Gichomo is Director Human Resource Management and Development, State Department for Infrastructure. She holds Master of Business Administration in Human Resource Management and Bachelor of Commerce. She is a registered Full member of the Institute of Human Resource Management. She has attended Strategic Leadership Programme among other senior management courses. She is a Human Resource Practitioner with over 32 years' experience.</p>
 <p>Mary Mugure Ngugi</p>	<p>Representing the Principal Secretary State Department of Public Service and Youth</p>	<p>Mrs Mary Mugure Ngugi is a Director Human Resource Management in State Department of Public Service. She holds a Bachelor Degree (Arts), Master's Degree and a Postgraduate Diploma in Human Resource Management. She has attained professional development courses locally, regionally and internationally. She has served the Public Service in various capacities for 28 years. She has attended Strategic Leadership Development Programme. Mrs Ngugi is a member of the Institute of Human Resource Management.</p>



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

 <p>Christine K. Ileli</p>	Representing the Attorney General	Christine is an advocate of the High Court of Kenya with a Bachelor of Laws (LL. degree and Master of Laws (LL.M) from the University of Nairobi, a Post Graduate Diploma in Legal Studies from the Kenya School of Law and a member of the Law Society of Kenya. She is a Principal State Counsel at the Office of the Attorney General and Department of Justice, currently under the Government Transactions Division with experience international Commercial Law, International Law and Land Laws.
 <p>Patrick Mwenda Bucha, MBS</p>	Secretary, Housing	Patrick Bucha was born in 1964. He is Secretary, Housing in the State Department for Housing and Urban Development. He holds a Master of Arts in Building Management, Bachelor of Arts in Building Economics and currently undertaking PhD in Leadership and Governance. He is a registered Quantity Surveyor with Board of Registration for Architects and Quantity Surveyors. He has 28 years of experience.
 <p>Mr. Simon O. Opondo</p>	Ag Director CSHSF and Secretary of the SMC.	Simon Odhiambo Opondo was born in 1960. He is the Ag Director, Civil Servants Housing Scheme Fund. He boasts of over 30 years' experience in Civil as an Architect and ten years as the project Manager in the Civil Servants Housing Scheme Fund . He holds a Master's of Science degree in Architecture and a member of the Architectural Association of Kenya. He is a registered Architect with BORAQS.







State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

IV. Secretariat Members Of The Civil Servants Housing Scheme Fund (CSHSF)

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p>Mr. Simon O. Opondo</p>	<p>Ag Director, Civil Servants Housing Scheme Fund and officer in charge of the Fund Secretariat.</p>	<ul style="list-style-type: none"> • MSc Architecture, MAAK • Registered Architect
 <p>Mr. Julius G. Wairagu</p>	<p>Project Manager</p>	<p>Bachelor of Architecture Registered Architect</p>
 <p>Mr. Boniface M. Ngochi</p>	<p>Estate Manager</p>	<ul style="list-style-type: none"> • MA Planning(Urban & Regional Planning) • BA(Hons)Land Economics • Member of the Institution of Surveyors of Kenya (MISK)
 <p>CPA. Fredrick Kiptarus Karuen</p>	<p>Scheme Accountant</p>	<ul style="list-style-type: none"> • MBA(Finance) • B A (Finance and Accounting) • CPA(K) • Member Institute of Certified Public Accountants (ICPAK)



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

IV. CABINET SECRETARY'S STATEMENT

The Cabinet Secretary's Report

To ensure adequate and affordable access to housing to State Officers, the SOHMSF regulations are in the process of being amended to incorporate the following

- i. To introduce equity release for development
- ii. Give administrative powers to the committee to facilitate the mortgage process



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

V. 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.

The Fund had accomplished the following by the end of the financial year:

- 165 applications were completed, returned with support documents and recommended to bank for processing of the loans worth about Kshs.4.38 billion
- 137 Loans fully disbursed to applicants' worth about Kshs.3.6 billion
- 13 applications worth about Kshs.383 million were approved pending disbursement
- 6 applications pending approval

Challenges

Regulations not covering the following areas: -

- i. Purchase & improvement of house
- ii. Purchase of plot for future development of a residential house

Other areas of consideration: -

- iii. Requirement for unexpired lease term of at least 45 years
- iv. Comprehensive list of state officers
- v. Termination of employment when the loan is being processed
- vi. Applications which are for plot purchase
- vii. Inadequacy of Funds
- viii. Introduction of other banks
- ix. Arrears by officers whose terms have expired and utilization of gratuity for loan repayment
- x. Unforeseen impacts of COVID-19

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 (12) months from the date of this statement.



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

VI. SCHEME MANAGEMENT COMMITTEE STATEMENT

Scheme Management Committee Report

Statement of the Scheme Management Committee's Responsibilities on the Financial Statements for the financial year ended 30th June, 2021.

The Public Finance Management (State Officers House Mortgage Scheme Fund) regulations 2015 which established the Fund requires the management of the Fund to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its operating results for that year. The Public Finance Management Act, 2012 requires the management to ensure proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The management of the Fund accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the Fund's financial regulations and generally accepted accounting principles.

Signed by.....

Ag Director/ CSHSF




State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

VII. REPORT OF THE SCHEME MANAGEMENT

The Scheme Management submits their yearly report together with the Annual financial statements for the year ended 30th June 2021 which show the state of the SOHMSF affairs

Signed by


Scheme Accountant

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

VIII. STATEMENT OF THE ADMINISTRATOR OF THE SCHEME

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control.

I further accept responsibility for the attached annual accounts, which have been prepared in conformity with internationally accepted accounting standards and appropriate government financial regulations and procedure.

I am of the opinion that the attached appropriations and other financial statements present fairly financial state of affairs of the State Officer House Mortgage Scheme Fund Vote 1094 as at 30th June, 2021.



Accounting Officer/ Receiver of revenue/Administrator of National Public Fund

The Principal Secretary,

Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works

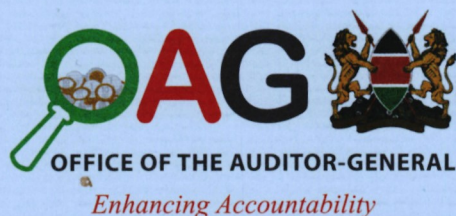
State Department of Housing & Urban Development

Date 20th September, 2021



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: 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 STATE OFFICERS HOUSE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021- 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 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.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 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 State Officers House Mortgage Scheme Fund set out on pages 1 to 14, which comprise the statement of financial position

Report of the Auditor-General on State Officers House Mortgage Scheme Fund for the year ended 30 June, 2021 - State Department for Housing and Urban Development

as at 30 June, 2021, and the statement of financial performance, statements of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 State Officers House Mortgage Scheme Fund as at 30 June, 2021, 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 Legal Notice No.23 of 6 March, 2015 under the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Term Receivables from Exchange Transactions

As disclosed in Note 13(b) to the financial statements, the statement of financial position reflects a balance of Kshs.2,962,606,383 under long-term receivables from exchange transactions (mortgage recoverable) as at 30 June, 2021. However, a review of loans records revealed that loans amounting to Kshs.379,774,630 due from fifteen (15) individuals were not being serviced and had accumulated arrears amounting to Kshs.15,601,855 as at 30 June 2021. No evidence of measures being taken by Management to recover the loans was provided for audit review and no provision for doubtful debts has been made against the receivables.

Under the circumstances, the recoverability of loans amounting to Kshs.379,774,630 and arrears thereof of Kshs.15,601,855 included in the long-term receivables balance of Kshs.2,962,606,383 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Officers Mortgage 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2022

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Revenue from exchange transactions		0	0
Mortgage interest (57,839,719-10267,863+16,102,341)	4	63,674,197	53,663,903
Rental revenue from facilities and equipment		0	0
Finance income	3	18,843,889	8,569,863
Other income	5	1,955,991	13,644,987
Total revenue		84,474,077	75,878,753
Expenses			
Depreciation and amortization expense	6	0	0
Board/Council expenses	7	1,590,000	1,590,000
Use of goods and services	8	4,442,379	567,156
Repairs and maintenance	9	29,100	0
Contracted services	10	0	0
Grants and subsidies	11	0	0
Total expenses		6,061,479	2,157,156
Other gains/(losses)		0	0
Surplus before tax		78,412,598	73,721,597
Taxation		(0)	(0)
Surplus/(deficit) for the period/year		78,412,598	73,721,597
Remission to National Treasury		0	0
Net Surplus for the year		78,412,598	73,721,597

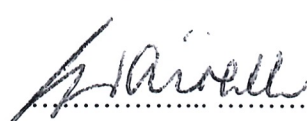
The notes set out on pages 6 to 14 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



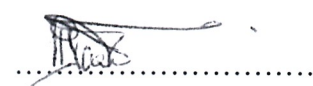
Charles M. Hinga, CBS
Principal Secretary

Date 20th September, 2021



Simon Odhiambo Opondo
Ag. Director/CSHSF

Date 20th September, 2021



CPA F. Karuen
ICPAK Member 7660

Date 20th September, 2021

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	12	440,159,075	655,216,152
Current portion of receivables from exchange transactions	13(a)	16,102,341	10,267,863
Total Current Assets		456,261,416	665,484,015
Non-Current Assets			
Long term receivables from exchange transactions	13(b)	2,962,606,383	2,674,696,127
Total Non- Current Assets		2,962,606,383	2,674,696,127
Total Assets		3,418,867,799	3,340,180,141
Liabilities			
Current Liabilities			
Trade and other payables	16	275,060	0
Total Current Liabilities		275,060	0
Non-Current Liabilities			
Non-current employee benefit obligation		0	0
Total Non- Current Liabilities		0	0
Total Liabilities		275,060	0
Net assets		3,418,592,739	3,340,180,141
Capital Reserves			
Accumulated surplus		418,592,739	340,180,141
Capital Fund		3,000,000,000	3,000,000,000
Total Net Assets and Liabilities		3,418,592,739	3,340,180,141

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors

by: 

Charles M. Hinga, CBS

Principal Secretary

Date 20th September, 2021



Simon Odhiambo Opondo

Ag. Director/CSHSF

Date 20th September, 2021



CPA F. Karuen

ICPAK Member 7660

Date 20th September, 2021



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Revenue Reserve	Capital Reserve	Fair value adjustment reserve	Retained earnings	Total
As at July 1, 2020	266,458,544	3,000,000,000	0	0	3,196,919,326
Surplus/ Deficit for the year	73,721,597	-	-		73,721,597
As at June 30, 2021	340,180,141	3,000,000,000	0	0	3,340,180,141
As at July 1, 2021	340,180,141	3,000,000,000	0		3,340,180,141
Surplus/ deficit for the year	78,412,598-	-	-		78,412,598
As at June 30, 2021	418,592,739	3,000,000,000	0	0	3,418,592,739

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

State Officers Housing Mortgage Scheme

Annual Financial Report


For the period ended 30th June 2021

4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

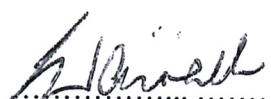
	Notes	2020-2021 Kshs	2019-2020 Kshs
Cash flows from operating activities		78,412,598	73,721,597
Add: Depreciation		0	0
		78,412,598	73,721,597
Adjusted for:			
mortgage interest receivable(16,102,341-10,267,863)		(5,834,478)	3,203,614
Trade Payables (275,060-0)		275,060	
Net cash flows from/(used in) operating activities		72,853,180	76,925,211
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(0)	(0)
Proceeds from sale of property, plant and Equipment		0	0
Decrease/(Increase) in non-current receivables (2,962,606,383-2,674,696,127)		(287,910,256)	(281,750,834)
Purchase of investments		(0)	(0)
Sale of investments		0	0
Net cash flows from/(used in) investing activities		(287,910,256)	(281,750,834)
Cash flows from financing activities			
Proceeds from borrowings		0	0
Repayment of borrowings		(0)	(0)
Proceeds from issue of shares		0	0
Increase in capital funds		0	0
Net cash flows from /(used in) financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(215,057,076)	(204,825,623)
Cash and cash equivalents at 1 JULY		655,216,152	860,041,775
Cash and cash equivalents at 30 JUNE		440,159,075	655,216,152

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above)


The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



 Charles M. Hinga, CBS



 Simon Odhiambo Opondo



 CPA F. Karuen

Principal Secretary
 Date 20th September, 2021

Ag. Director/CSHSF
 Date 20th September, 2021

ICPAK Member 7660
 Date 20th September, 2021



State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	0	-	0	0	(0)	0
Mortgage Interest	64,000,000	(0)	64,000,000	63,674,197	(325,803)	0.994909328
Sale of goods	0	-	0	0	(0)	0
Rental revenue from facilities and equipment	0	-	0	0	0	0
Finance income	20,000,000	0	20,000,000	18,843,889	(1,156,111)	0.94219445
Other income	2,000,000	0	2,000,000	1,955,991	(44,009)	0.9779955
Total income	86,000,000	(0)	86,000,000	84,474,077	(1,525,923)	0.982256709
Expenses						
Use of goods and services	6,100,000	-	6,100,000	4,442,379	(1,657,621)	0.728258852
Boards/Council	2,500,000	(0)	2,500,000	1,590,000	(910,000)	0.636
Depreciation and amortization expense	0	(0)	0	0	-	0
Repairs and maintenance	30,000	0	30,000	29,100	900	0.97
Contracted services	0	0	0	0	(0)	0
Grants and subsidies	0	0	0	0	-	0
Total expenditure	8,630,000	(0)	8,630,000	6,061,479	(2,568,521)	0.702373001
Surplus for the period	77,370,000		77,370,000	78,412,598	(1,042,598)	0.013475481

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis



State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

6. NOTES TO THE FINANCIAL STATEMENT

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with Accrual Basis of Accounting Method and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis

b) Income

The principal source income for the fund is capital injection from Government. Other sources comprise interest income, revenue operating grants and other related incomes. Revenue operating grants are recognized over the period necessary to match them with related expenses.

c) Property and Equipment

Expenditure comprises expenses incurred directly for support of programme activities. These are recognized accrual basis.

d) Property and Equipment

Property and equipment are stated at the Net Book Value (cost less accumulated depreciation).

Depreciation is charged on the reducing balance method using the following annual rates:

Land and Building	2.50%
Computer	33.33%
Motor Vehicles	25.00%
Office Equipment	12.5%
Furniture, Partitions & Fittings	12.5%

Full depreciation is charged in the year of purchase/acquisition and non in the year of disposal.

e) Foreign currency transactions

Foreign currency transactions during the year (where applicable) are converted into Kenya Shillings at rates ruling at the transactions dates.

f) Cash and cash equivalents



State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

Cash and cash equivalents comprise balances held in current and investment accounts with banks, cash on hand 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Deferred income

Unexpended grant receipts are deferred and recognized as income when the related expenses are incurred.

1. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Grants	0	0
Total government grants and subsidies	0	0

(Explain the purpose of funding)

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2020/21 KShs	Prior year 2019/2020 KShs
State Department of Housing	0.00	0.00	0.00	0.00	800,000,000
Total	0.00	0.00	0.00	0.00	800,000,000

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry.)

2. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs	KShs
Staff Rental houses	0.00	0.00
Total rentals	0.00	0.00

(Provide brief explanation for this revenue)

**Contingent rentals include hire grounds, institutional facilities like halls, kitchen etc.*



State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

3. Finance Income

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	18,843,889	8,569,863
Interest income from Treasury Bills	0.00	0.00
Total finance income	18,843,889	8,569,863

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Mortgage Interest

Mortgage Interest	2020-2021	2019-2020
	KShs	KShs
Mortgage interest – KCB S & L Q1	15,437,925	53,663,903
Q2	16,186,496	
Q3	15,947,434	
Q4	16,102,341	0.00
Total Mortgage interest	63,674,197	53,663,903

5. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Interest on Credit bank balances Q1	230,563	13,615,987
Q2	670,703	
Q3	297,496	
Q4	744,229	
Sale of form	13,000	29,000
Total other income	1,955,991	13,644,987

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	0	0

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

7. Board /Council Expenses

(a) Analysis

Description	2020-2021	2019-2020
	KShs	KShs
Chairman/Directors' Honoraria	0	0
Sitting allowances	85,600	0
Medical Insurance	0	0
Induction and Training	0	0
Travel and accommodation	0	0
Other allowances	1,504,400	1,590,000
Total	1,590,000	1,590,000

(b) Detail Payments boards committee

Date	PV No	Payee	Amount Kshs
11/07/20	0070	Administrator SOHMSF	572,000
22/07/20	0073	Administrator SOHMSF	7,000
22/07/20	0074	Administrator SOHMSF	69,000
28/07/20	0082	Administrator SOHMSF	116,000
29/07/20	0083	Administrator SOHMSF	140,000
19/08/20	0085	Administrator SOHMSF	172,000
31/08/20	0086	Administrator SOHMSF	105,000
31/09/20	0087	Administrator SOHMSF	37,400
31/09/20	0088	Administrator SOHMSF	62,000
31/08/20	0101	Administrator SOHMSF	174,000
13/12/20	0102	Administrator SOHMSF	85,600
22/12/20	0103	Geofrey Kamau	50,000
Total		1,590,000	1,590,000

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For the period ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Use of Goods and Services

Description	2020-2021	2019-2020
	KShs	KShs
Conference/Seminars	614,000	103,300
Official Entertainment	163,000	0.00
Transport Operating Expenses	283,679	14,940
Travelling and Accommodation	1,089,450	243,600
General office services	314,450	0,00
Telephone Expenses	2,000	0.00
Training Expenses	290,000	202,787
Supplies & accessories for computers printers	50,000	0.00
Bank Charges	50,000	2,529
Membership fee subscription	21,400	0.00
Courier and Postal Services	764,400	0.00
Library Services	800,000	0.00
Total	4,442,379	567,156

9. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Property	0	0
Investment property – earning rentals	0	0
Equipment and machinery	29,100	0
Vehicles	0	0
Furniture and fittings	0	0
Computers and accessories	0	0
Others	0	0
Total repairs and maintenance	29,100	0

10. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Actuarial valuations	0	0
Investment valuations	0	0
Property valuations	0	0
Total contracted services	0	0



State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Grants and Subsidies

Description	2020-2021	2019-2020
	KShs	KShs
Community development	0	0
Education initiatives and programs	0	0
Social development	0	0
Community trust	0	0
Sporting bodies	0	0
Total grants and subsidies	0	0

12. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Cashbook balances	240,159,075	655,216,152
<i>Cash-on-hand and in transit</i>	0.00	0.00
<i>Short-term deposits-KCB</i>	200,000,000	0.00
Total cash and cash equivalents	440,159,075	655,216,152

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

12. (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
KCB –Operation Cashbook	1170914357	6,013,081	61,162,733
KCB-Deposit Cashbook	1170913962	234,145,994	94,053,419
Sub- total		240,159,075	155,216,152
b) On - call deposits			
Kenya Commercial bank S & L		0	0
Sub- total		0	0
c) Fixed deposits account			
Kenya Commercial bank	1170913962	200,000,000	500,000,000
Sub- total		200,000,000	500,000,000
Grand total		440,159,075	655,216,152

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For the period ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Receivables from Exchange Transactions

13.(a) Current Receivables from Exchange Transactions

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Mortgage Interest Q4 accrued	16,102,341	10,267,863
Other exchange debtors	0	0
Total current receivables	16,102,341	10,267,863

13.(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Total Receivables		
Service, water and electricity debtors	0	0
Other – Mortgage Recoverable(2,677,058,237-208,817,282)	2,962,606,383	2,674,696,127
Less: impairment allowance	(0)	(0)
	0	0
Current portion transferred to current receivables	(0)	(0)
Total non-current receivables	0	0
Total receivables (a+b)	2,962,606,383	2,674,696,127

13. (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment Allowance/ Provision	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	0	0

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State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

14. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Property tax debtors	0	0
Levies, Fines, and penalties	0	0
Licences, fees and permits	0	0
Other debtors (non-exchange transactions)	0	0
Less: impairment allowance	(0)	(0)
Total current receivables	0	0

15. Investments

Description	2020-2021	2019-2020
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	0	0
CBK	0	0
Sub- total	0	0
b) Investment with Financial Institutions/ Banks		
Bank KCB S & L	200,000,000	500,000,000
Sub- total	200,000,000	500,000,000
c) Equity investments (specify)		
Equity/ shares in entity	0	0
Sub- total	0	0
Grand total	200,000,000	500,000,000

16. Trade and Other Payables

	Description	2020-2021	2019-2020
		KShs	KShs
7-Jun-21	Bank charges(KCB)	60	0
27-Aug-20	NEMA Rent for Estate Department	25,000	
17-Sep-20	NEMA Rent for Estate Department	25,000	
6-Oct-20	NEMA Rent for Estate Department	25,000	
27-Nov-20	NEMA Rent for Estate Department	25,000	
10-Dec-20	NEMA Rent for Estate Department	25,000	
19-Jan-21	NEMA Rent for Estate Department	25,000	
17-Feb-21	NEMA Rent for Estate Department	25,000	
15-Mar-21	NEMA Rent for Estate Department	25,000	
20-Apr-21	NEMA Rent for Estate Department	25,000	
15-Jun-21	NEMA Rent for Estate Department	14,000	
30-Jun-21	NEMA Rent for Estate Department	14,000	
8-Feb-21	NEMA Rent for Estate Department	22,000	
	Total	275,060	0

State Officers Housing Mortgage Scheme

Annual Financial Report

For the period ended 30th June 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. APPENDIX

X. 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	Non-performing Loans	Only two officers cleared their arrears	Not Resolved	2021/2022
2	Overstated Long term receivables	Schedules supporting the figures have been provided	Resolved	2020/2021

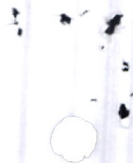
Guidance Notes:

- (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;
- (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.

Sign 

Ag. Director/CSHSF)

Date 20th September, 2021



State Officers Housing Mortgage Scheme

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For the period ended 30th June 2021

XI. APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Housing and Urban Development			
FY 2020/2021			
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>
		0	
		0	
		0	
	Total		
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

Ag. Director/CSHSF

Head of Accounting Unit

Sign 

State Department of Housing & Urban Development
Sign 

Date 20th September, 2021

Date 20th September, 2021

