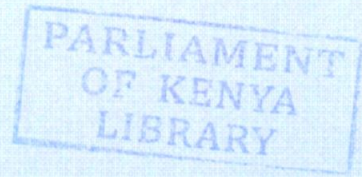


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA SLUM UPGRADING, LOW COST
HOUSING AND INFRASTRUCTURE TRUST
FUND (KENSUF)**

**FOR THE YEAR ENDED
30 JUNE 2014**

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

Paper Laid
By Hon. A. Duale (L.O.M)
En. Muns. 09.07.2015.
(P.M) M.M.W

REPUBLIC OF KENYA



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND (KENSUF) FOR THE YEAR ENDED 30 JUNE 2014 - MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF) - Ministry of Lands, Housing and Urban Development set out on pages 6 to 18 which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Accounting Officer, Ministry of Lands, Housing and Urban Development is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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.

The Accounting Officer is also responsible for the submission of these financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Opening Balances

The financial statements of the Fund reflect several opening balances which differ from the corresponding closing balances reflected in the audited financial statements for the year ended 30 June 2013 as shown below:-

Item/Account	Closing Balance	Opening Balance	Difference
	<u>in F/S 2012/2013</u>	<u>in F/S 2013/2014</u>	
The Surplus	82,376,212	296,895,483	214,519,271
Revaluation Reserve	Nil	82,376,212	82,376,212
Deferred Income	79,014,560	Nil	79,014,560


The Accounting Officer has not provided explanation or reconciliation for the variances. In the circumstances, it has not been possible to ascertain the validity and accuracy of the figures in these financial statements.

2. Unsupported Balance

The statement of financial position reflects suspense account balance of Kshs.12,922,149 whose analysis or support documents have not been provided for audit review. In the circumstances, it has not been possible to confirm the validity and accuracy of the balance.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Fund as at 30 June 2014, its financial Performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and does not comply with the Public Financial Management Act, 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 May 2015



**KENYA SLUM UPGRADING LOW COST HOUSING AND
INFRASTRUCTURE TRUST FUND (KENSUF)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL
YEAR ENDED JUNE 30, 2014**

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

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KEY ENTITY INFORMATION AND TRUSTEES

(a) Background information

The entity was formed on 22nd December 2006, through a gazette notice no. 51, by legal notice no. 168 under the Government Financial Trustees Act no. 5 of 2004. At cabinet level, the entity is represented by the Cabinet Secretary for Lands Housing And Urban Development who is responsible for the general policy and strategic direction of the entity.

(b) Principal Activities

The principal activity/mission of the entity is to provide funds for slum upgrading, low cost housing and infrastructure programmes to support housing development.

(c) Key Trustees

The entity's day-to-day Trustees is under the following key organs:

- Principal Secretary; and
- Director Slum Upgrading Department.

(d) Fiduciary Trustees

The key Trustees personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Mariam El Maawy
2.	Director Slum Upgrading Depart.	Charles Wafula Sikuku

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Audit and finance committee activities
- Parliamentary committee activities

- Development partner oversight activities
- Other oversight activities

(f) Entity Headquarters

P.O. Box 30119-00100
ARDHI House, 2nd Floor
Ngong Road.

Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 20-2718050
E-mail: PS@ardhihouse.co.ke
Website: www.ardhi.go.ke

(h) Entity Bankers

Cooperative Bank of Kenya,
Parliament Road Branch
P.O. Box 48231
GPO 00100
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

THE TRUSTEES

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Trustees date of birth, key qualifications and work experience
1. Trustee - Principal Secretary	Mariam El Maawy
2. Trustee - Director Slum Upgrading Department	Charles Wafula Sikuku 3 rd December 1963, master of public administration, 26 years of work experience

TRUSTEES TEAM

Insert each key manager's passport-size photo and name, and key profession/academic qualifications	Indicate the main area of responsibility – without details
3. Trustee - Principal Secretary	Mariam El Maawy
4. Trustee - Director Slum Upgrading Department	Charles Wafula Sikuku 3 rd December 1963, Master of Public Administration, 26 years of work experience

STATEMENT OF TRUSTEES RESPONSIBILITIES

The Government Financial Management (Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund) (KENSUF) Regulations, 2006 which establishes the Fund requires the Trustees 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 KENSUF at the end of the financial year/period and the operating results of the KENSUF for that year/period. The Trustees are also required to ensure that the KENSUF keeps proper accounting records which disclose with reasonable accuracy the financial position of the KENSUF. The Trustees are also responsible for safeguarding the assets of the KENSUF.

The Trustees are responsible for the preparation and presentation of the KENSUF's financial statements, which give a true and fair view of the state of affairs of the KENSUF for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial Trustees 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 KENSUF; (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 KENSUF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the KENSUF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Trustees are of the opinion that the KENSUF's financial statements give a true and fair view of the state of KENSUF's transactions during the financial year ended June 30, 2014, and of the KENSUF's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the KENSUF, which have been relied upon in the preparation of the KENSUF's financial statements as well as the adequacy of the systems of internal financial control.


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

Name: Mariam El Maawy

Principal Secretary,

Signature.....

Date.....

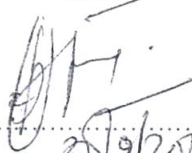

30/09/2014

Name: Charles Wafula Sikuku.

Ag. Director

Signature.....

Date.....


30/9/2014

REPORT OF THE INDEPENDENT AUDITORS ON KENYA SLUM UPGRADING, LOW COST HOUSING AND INFRASTRUCTURE TRUST FUND (KENSUF)

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014

		2013-2014	2012-2013
		Kshs	Kshs
Assets			
	Note		
Current Assets			
Cash and Cash Equivalents	2	283,136,892.00	334,289,834.00
Suspense a/c		12,922,149.85	-
		296,059,041.85	334,289,834.00
Non-current assets			
Property, Plant and Equipment	3	1,857,193,309.00	1,852,933,646.00
Total assets		2,153,252,350.85	2,187,223,480.00
Liabilities			
Current liabilities			
Deposits Retention	4	172,899,061.85	172,899,062.00
Deferred Income		-	79,014,560.00
		172,899,061.85	251,913,622.00
Non-current Liabilities		-	-
Total Liabilities		172,899,061.85	251,913,622.00
Net Assets		<u>1,980,353,289.00</u>	<u>1,935,309,858.00</u>
Reserves		1,931,948,206.00	1,852,933,646.00
Revaluation reserve		48,405,083.00	82,376,212.00
Total Net Assets and Liabilities		<u>1,980,353,289.00</u>	<u>1,935,309,858.00</u>

The Financial Statements Set Out on Pages 6 to 18 were signed on behalf of KENSUF by:

Name: Mariam El Maawy
Principal Secretary,

Signature.....
Date..... 30/09/2014

Name: Charles Wafula Sikuku.
Ag. Director

Signature.....
Date..... 30/9/2014

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014

		2013-2014	2012-2013
	Note	Kshs	Kshs
Revenue from exchange transactions			
Other income	6	5,163,990.00	-
Grants received		-	80,000,000.00
Revenue Grand		-	188,854,638.00
Interest income	7	<u>12,252,664.32</u>	<u>96,913,301.00</u>
Total revenue		<u>17,416,654.32</u>	<u>365,767,939.00</u>
Expenses			
Capacity Buiding costs	8	2,827,722.00	1,036,380.00
Depreciation and amortization expense	3	48,178,110.00	48,192,362.00
Finance costs	9	7,952.00	19,643,714.00
Total Expenses		<u>51,013,784.00</u>	<u>68,872,456.00</u>
Surplus/(Deficit) attributable to owners of the controlling entity		(33,971,129.68)	296,895,483.00

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30TH JUNE 2014

		2013-2014	2012-2013
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Fund Surplus for the period		(33,971,129.68)	96,913,301.00
Depreciation		48,178,110.00	30,928,957.00
Less: Interest income	7	(12,252,664.32)	(96,913,301.00)
Deposits	4	-	75,635,920.00
Other income, rentals and agency fees		-	-
Net Cash Flows from Operating Activities		1,954,316.00	106,564,877.00
Cash flows from investing activities			
Purchase of Property, Plant, Equipment and Intangible Assets		(52,437,773.00)	(690,536,223.00)
Suspense a/c		(12,922,150.00)	-
Interest income	7	12,252,664.32	96,913,301.00
Net cash flows used in investing activities		(53,107,258.68)	(593,622,922.00)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(51,152,942.68)	40,249,539.00
Cash and Cash Equivalents at 1 ST JULY		334,289,834.00	294,040,295.00
Cash and Cash Equivalents at 30TH JUNE		283,136,891.32	334,289,834.00

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE, 2014

	GENERAL RESERVES Kshs	REVALUATION RESERVES Kshs	TOTAL (Kshs)
As at 1/7/2012	1,852,933,646.00	81,789,585.00	1,934,723,231.00
Surplus	264,107,579.00	-	264,107,579.00
As at 30/6/2013	2,117,041,225.00	81,789,585.00	2,198,830,810.00
As at 1/7/2013	2,117,041,225.00	81,789,585.00	2,198,830,810.00
Deficit	-33,971,129.00	-	-33,971,129.00
As at 30/6/2014	2,083,070,096.00	81,789,585.00	2,164,859,681.00

NOTES TO THE FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES

- a) **Basis of accounting**
The financial statements are prepared on the historical cost basis.
- b) **Income**
Income comprises grants from various donors and other income. Operating grants are recognized over the period necessary to match them with related expenses.
- c) **Expenditure**
Expenditure comprises expenses incurred directly for and in support of programme activities. These are recognized on accrual basis.
- d) **Property and equipment**
Property and equipment are stated at Net Book Value (cost less accumulated depreciation).

Depreciation is charged on the reducing balance method using the following annual rates:
- | | |
|---------------------------------------|--------|
| Computers & Printers | 33.33% |
| Office Equipment | 12.5% |
| Furniture, Partitions & Fittings | 12.5% |
| Buildings, Civil Works and Structures | 2.5% |
- 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 are converted into Kenya Shillings at rates ruling at the transactions dates.
- f) **Cash and cash equivalents**
Cash and cash equivalents comprise balances held in current accounts with banks and cash on hand.
- g) **Deferred income**
Unexpended grant receipts are deferred and recognized as income when the related expenses are incurred.

Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the Financial Year Ended June 30th, 2014

NOTE 2 – CASH AND CASH EQUIVALENTS

The Fund's Cash and Cash Equivalents comprised the following items:

DETAILS:

	2013/2014	2012/2013
	KSHS	KSHS
Cash in Hand(petty cash)	-	-
Cash at Bank	253,136,892.00	304,289,833.90
KENSUF Co/op Bank balance	<u>30,000,000.00</u>	<u>30,000,000.00</u>
	<u>283,136,892.00</u>	<u>334,289,833.90</u>

NOTE 3- PLANT, PROPERTY AND EQUIPMENT

Cost	Land and Buildings Shs	Computers and Printers Shs	Furniture and Fittings Shs	Total Shs
At 1 July 2012	1,124,743,390.13	6,446,870.00	3,356,000.00	1,134,546,260.13
Additions	726,042,479.87	-	-	726,042,479.87
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30 June 2013	1,850,785,870.00	6,446,870.00	3,356,000.00	1,860,588,740.00
Additions	52,437,773.00	-	-	52,437,773.00
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At 30 June 2014	1,903,223,643.00	6,446,870.00	3,356,000.00	1,913,026,513.00
Depreciation and impairment				
At 1 July 2012	(102,852,828.00)	(5,484,490.00)	(1,634,678.00)	(109,971,996.00)
Depreciation	(47,456,048.00)	(320,761.00)	(215,165.00)	(47,991,974.00)
At 30 June 2013	(150,308,876.00)	(5,805,251.00)	(1,849,843.00)	(157,963,970.00)
Depreciation	(47,775,969.00)	(213,871.00)	(188,270.00)	(48,178,110.00)
Disposals	0	0	0	-
Transfer/adjustment	0	0	0	-
At 30 June 2014	(198,084,845.00)	(6,019,122.00)	(2,038,113.00)	(206,142,080.00)
Net book values				
At 30 June 2014	1,705,138,798.00	427,748.00	1,317,887.00	1,706,884,433.00
At 30 June 2013	1,700,476,994.00	641,619.00	1,506,157.00	1,702,624,770.00

NOTE 4 – DEPOSIT RETENTION

Money kept in trust at CBK for	2013/2014 (KSHS)	2012/2013 (KSHS)
KENSUF contractors.	172,899,061.85	172,899,061.85

NOTE 6- OTHER INCOME

	KSHS 2013/2014	KSHS 2012/2013
Transfer from Ministry of Land, Housing and Urban Development	5,083,160.00	80,000,000.00
Direct Banking	<u>80,830.00</u>	-
	<u>5,163,990.00</u>	<u>80,000,000.00</u>

Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF)

Reports and Financial Statements

For the Financial Year Ended June 30th, 2014

NOTE 7 – INTEREST INCOME

	2013/2014	2012/2013
Income received	KSHS	KSHS
Co-operative bank call account	<u>12,252,664.32</u>	<u>96,913,301.00</u>

Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the Financial Year Ended June 30th, 2014

NOTE 8 – CAPACITY BUILDING COST

	2013/2014	2012/2013
	KSHS	KSHS
Money spent to train officers in KENSUF department	<u>2,827,722.00</u>	<u>1,036,380.00</u>

Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF)

Reports and Financial Statements

For the Financial Year Ended June 30th, 2014

NOTE 9- FINANCE COST

	2013/2014 KSHS	2012/2013 KSHS
Bank charges for maintaining KENSUF account at Co-op Bank	<u>7,952.00</u>	<u>19,643,714.00</u>

10. TAXATION

The Fund, being a non-profit making entity, is not liable to Income Tax. No provision has therefore been made in these financial statements for Income Tax and the Fund will soon seek official exemption from Kenya Revenue Authority.

11. CURRENCY

The Financial Statements are prepared in Kenya Shillings (Kshs.)