

REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

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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 2017

STATE DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT





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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF) 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, KENSUF is represented by the Cabinet Secretary for Transport, Infrastructure, Housing and Urban Development who is responsible for the general policy and strategic direction of the KENSUF.

(b) Principal Activities

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

(c) Key Trustees

KENSUF's day-to-day Trusteeship is under the following key organs:

- Principal Secretary; and
- Director Slum Upgrading Department.

(d) Fiduciary Trustees

No.	Designation	Name
1.	Principal Secretary	Aidah Njeri Munano
2.	Director Slum Upgrading Department	Charles Wafula Sikuku

(e) Fiduciary Oversight Arrangements

The Principal Secretary for the Directorate of Housing and Urban Development and the Director for Slum Upgrading, Low Cost Housing and Infrastructure Fund are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

(j) Principal Legal Adviser


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

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Trustees	
1.	 <p>Arch. Aidah N. Munano CBS Principal Secretary</p> <p>BA (Arch) Masters in Project Management</p> <p>She was born on 22nd February, 1957 and has over 35 years working experience</p>
2.	 <p>Q.S. Charles W. Sikuku</p> <p>B.A.(Building Economics) M.A. (Public Administration)</p> <p>He was born on 3rd December, 1963 and has over 28 Years working experience in the Public Service</p>

II. MANAGEMENT TEAM

Key Management (key personnel of the entity involved in Key decision making and running of the entity)

Name of the Staff	Responsibility
 <p>Charles W. Sikuku Director, Slum Upgrading Department B.A.(Building Economics) M.A. (Public Administration) He was born on 3rd December, 1963 and has over 28 Years working experience in the Public Service</p>	<ul style="list-style-type: none"> - Coordinate the formulation of slum upgrading and prevention policies; - Mobilize resources for slum upgrading activities - Harmonize Government policies on slum upgrading with those of international declarations, resolutions and conventions; - Oversee socio-economic and physical mapping of slums and informal settlements; - Mobilize slum communities and organization; - Ensure facilitation of security of tenure for land and housing in upgraded settlements; - Prevent slum proliferation; - Plan, implement, monitor and evaluation of slum upgrading projects; - Promote employment and income generating activities in the slum upgrading process; - Management upgraded housing; - Promote use of low cost building technologies for slum upgrading; - Liaise with international agencies and other stakeholders involved in slums and informal settlements to exchange ideas and best practices for integration of appropriate strategies in upgrading. - Manage financial, human and other resources in the department.

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Gladys Ndogoh

Deputy Director, Slum Upgrading
Department

B.A.(Land Economics)

Executive MBA

She was born on 4th October, 1964
and has over 29 Years working
experience in the Public Service

- Coordinate the implementation of slum upgrading and prevention programs;
- Oversee slum mapping and resource mobilization strategies;
- Coordinate the support for capacity building;
- Implement appropriate communication strategies;
- Ensure delivery of affordable social and physical infrastructure
- Liaise with stakeholder institutions in the development of mechanisms for sustainable financing of slum upgrading and shelter related infrastructure.
- liaise with local and international agencies involved in slums and informal settlements and facilitate integration of policies in development planning
- Provide guidance, supervision and development of staff and management of financial resources.

III. REPORT OF THE DIRECTOR

The Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF) implements programmes, projects and activities aimed at improving the lives and livelihood of people living and working in slums/informal settlements countrywide. KENSUF had a total of 18No. ongoing Projects in 2016/2017 financial year spread across fifteen Counties. The projects entailed development of housing units as well as installation of physical and social infrastructure such as markets, sewer lines, access roads, improvement of wells, high mast floodlighting structures and footpaths.

Whereas the projects required a total of Kshs.1,442,433,238, only a budgetary allocation of Kshs.588,000,000 was made giving a shortfall of Kshs.854,433,233. During the year, only Kshs.488,000,000 was availed. However, together with the Kibera Soweto East Zone 'A' Mortgage repayments, 9 No. projects were completed and 4No. are partially complete.

Challenges

1. Inadequate budgetary allocation led to stalling of 4No. projects and accumulation of pending certificates in respect of 7 No. projects amounting to Kshs.318,897,165.00 as shown below:-
2. Protracted court cases arising out of conflict of interests have affected completion of Langas Market in Eldoret, Uasin Gishu County and market stalls in Kibera Soweto East Zone 'A'.
3. There was no budgetary allocation for the ongoing projects during 2017/2018 financial year.

Way Forward

1. The State Department to source funds from within to clear the pending certificates totaling Kshs.318,897,165
2. Budgetary allocation in 2018/2019 financial year is proposed to complete all ongoing projects at total of Kshs.1,100,212,539.00.
3. The 4No. Projects which are awaiting commencement on site will be terminated if no funds are allocated in the coming financial year.
4. Follow up with the Attorney General to fast track the determination of the 2No. court cases.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

The Programme seeks to fulfil two key strategic objectives namely: -

- a) To facilitate access to adequate housing.
- b) To improve livelihoods of people living and working in slums and informal settlements.

Towards this goal, the Kenya Slum Upgrading Programme has two mega projects that have been part of the Ministerial Performance Contract as tabulated below

a) Housing Projects

S/No	Project Name	No. of units	Contract sum	Key Performance Indicator	Remarks
1.	Re-development of Kibera Soweto Zone 'A'	822	2,908,440,769	100% completion of housing units	- 99% Complete - Occupation status is 100% - Project has delivered other social infrastructures such as Social Hall, Youth centre and markets stalls,
2.	Completion of 462No. housing units at Mavoko SNP, Athi River	463	1,102,264,208	100% completion of housing units	- 90% Complete - Project is piloting the concept of sustainable neighbourhoods

The attainment of these ministerial targets has been a challenge due to the inadequate funding received by the programme from the National Treasury.

SECTION B

Entity’s compliance with statutory requirements

The Kenya Slum Upgrading Programme (KENSUP) operates the Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund which is anchored under Legal Notice No. 168 of 2006. This Legal Notice was formulated as per the provisions laid out in the Financial Management Act of 2004. Under these provisions, the Kenya Slum Upgrading Programme derives its authority to operate a bank account with the Cooperative Bank of Kenya.

The Programme has delivered over hundred projects without any encumbrance however; it is currently faced with an ongoing court case that has resulted in the stalling of the construction of the Langas Market in Eldoret. The particulars of the case are tabulated below: -

a) Case particulars

S/No.	Project Name	Contractor	Contract No.	Contract Sum	Amount Paid	Remarks
1.	Proposed Construction of Market Sheds, Office, Store, and Ablution Block at Langas Market	Fomco International Ltd	MH/KENSUP/04/2011-2012	79,990,080	61,076,916	-The project is estimated to have stalled while 97% complete. -Court case is filed by the Ethics and Anti-Corruption Commission into allegation touching on award of the contract

In its pursuit to provide access to adequate housing and to improve livelihoods of people living and working in slums and informal settlements, the Programme is fulfilling the constitutional mandate under Article 43 (1) (b) of the Constitution of Kenya 2010 which emphasizes the right of every person to accessible and adequate housing and to reasonable standards of sanitation

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Kenya Slum Upgrading Programme (KENSUP) is a GOK wholly funded programme. It was initiated with a core poverty mandate to upgrade, prevent and eradicate slums in Kenya. The projects supported through this programme are geared towards the provision of social and physical infrastructure to the residents living and working in slums and informal settlements.

On a pilot basis, the programme has managed to construct a total of 1285 No. of housing units and provided them at subsidized costs to slum residents which are at various levels of completion. Under this arrangement, a total of 822 households have been allocated decent houses in the Kibera Soweto East Zone 'A' project while the Mavoko Sustainable Neighborhood Programme will deliver a further 463 no of housing units

These projects have brought positive impact to the slum communities who are normally marginalized by the mainstream housing market and thus served to uplift their welfare. These projects are tabulated below as follows;

a) Key Flagship Projects

S/No	Project Name	No. of units	Contract sum (KShs)
1.	Re-development of Kibera Soweto Zone 'A'	822	KShs 2,908,440,769
2.	Completion of 462No. housing units at Mavoko SNP, Athi River	463	KShs 1,102,264,208

b) Other Social and Physical infrastructures

S/No.	Project Name	Contract sum (KShs)
1.	Construction market sheds, offices, store and ablution block at Langas market in Eldoret.	79,990,080
2.	Construction of 2 KM Sewer line at Bula Pesa Slum in Isiolo – Isiolo County	22,608,550
3.	Construction of 2 KM Sewer line at Mjini Slum in Bungoma – Bungoma County	24,009,943
4.	Construction of a market at Kibung'a Informal Settlement – Tharaka Nithi County	45,356,470
5.	Construction of 2 KM in Kusyombunguo – Kunda Kindu road in Wote Makueni County	98,632,748
6.	Improvement of 15 No. wells in various slums in Lamu	15,969,250
7.	Installation of 6 No. Electric Powered High Mast floodlighting structures in Kitale Town- Trans Nzoia County	27,092,508
8.	Construction of 1.5 Km Cabbro footpath - Lamu County	31,542,500
9.	Installation of 3 No. Electric Powered High Mast floodlighting structures in various slums in Mumias Town - Kakamega county	13,672,214
10.	Installation of 3 No. Electric Powered High Mast floodlighting structures in various slums in Meru Town- Meru County	12,608,565
11.	Installation of 4 No. Electric Powered High Mast floodlighting structures in Isiolo county	16,341,004
12.	Installation of 3 No. Electric Powered High Mast floodlighting structures in Shauri Yako Slum in Kiambu County	14,491,667

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The funding slum upgrading projects is wholly dependent on government budgetary allocation. Currently, the programme is underfunded and this has led to challenges in meeting contractual claims. This has negatively impacted on projects implementation.

IV. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION D

Major Risks facing KENSUF

The risks faced by the Kenya Slum Upgrading Programme mainly emanate from the operational environment. Slums and informal settlements by virtue of their locations and aspects of marginalization are prone to political incitements and due to these factors are prone to political incitements.

Delays in exchequer disbursement also pose challenges leading to escalation of costs due to variation costs and interest penalties arising from project contractors. Non-performing contractors also bring a cost element to the programme and is a challenge in the implementation of projects.

SECTION E

Material arrears in Statutory/Financial obligations

Bills Amounting to Kshs. 273,122,718.29 are still unpaid.

Below is a list of pending bills to date.

Supplier	Details	Amount (KShs)
EpcO Builder's	Certificate No. 25 Mavoko Housing scheme	45,546,898
EpcO Builder's	Certificate No. 29 Mavoko Housing scheme	21,362,560
EpcO Builder's	Certificate No. 32 Mavoko Housing scheme	20,675,863
EpcO Builder's	Certificate No. 33 Soweto East Zone 'A' Kibera	122,210,997
Nexis Supplies	Certificate No. 2 Kashmire slums	14,944,887
Kenric Contractor's	Certificate No. 2 Kibunga Market Stalls	13,886,9390
Kenric Investment	Certificate No. 3 Kibunga Market Stalls	5,942,530
Durdur Contractor's	Certificate No. 3	16,480,869.53
Durdur Contractors	Certificate No. 4	10,102,631.41
Penguin	Certificate No. 1	12,071,174.76
	Total	273,122,718.29

SECTION F

The entity's financial probity and serious governance issues

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

V. REPORT OF THE DIRECTORS

The Directors submit their report the year ended June 30, 2017 which show the state of KENSUF'S affairs.

The Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund (KENSUF) implements programmes, projects and activities aimed at improving the lives and livelihood of people living and working in slums/informal settlements countrywide. KENSUF had a total of 18No. ongoing Projects in 2016/2017 financial year spread across fifteen Counties. The projects entailed development of housing units as well as installation of physical and social infrastructure such as markets, sewer lines, access roads, improvement of wells, high mast floodlighting structures and footpaths. The details of the projects are as shown below:-

Projects Summary Sheet			
S/No.	Project Name	Contract Sum	Budgetary Requirement (2016/17 FY)
1	Re-development of Kibera Soweto zone 'A'	2,908,440,969	506,000,000
2	Completion of 462No. housing units at Mavoko SNP, Athi River	1,102,264,208	488,000,000
3	Construction market sheds, offices, store and ablution block at Langas market in Eldoret.	79,990,080	18,913,164
4	Construction of Sewer line at Bula Pesa Slum in Isiolo – Isiolo County	22,608,550	22,608,550
5	Construction of Sewer line at Mjini Slum in Bungoma – Bungoma County	24,009,943	24,009,943
6	Construction of a market at Kibung'a Informal Settlement – Tharaka Nithi County	45,356,470	45,356,470

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7	Construction of 2 KM in Kusyombunguo – Kunda Kindu road in Wote Makueni County	98,632,784	98,632,784
8	Improvement of 15No. wells in various slums in Lamu	15,969,250	15,969,250
9	Installation of 6No. Electric Powered High Mast floodlighting structures in Kitale Town- Trans Nzoia County	27,092,508	27,092,508
10	Construction of 1.5 Km Cabbro footpath - Lamu County (Phase II)	31,542,500	31,542,500
11	Installation of 3No. Electric Powered High Mast floodlighting structures in Shauri Yako Slum in Kiambu County	14,491,667	14,491,667
12	Installation of 3No. Electric Powered High Mast floodlighting structures in various slums in Mumias Town - Kakamega county	13,672,214	13,672,214
13	Installation of 3No. Electric Powered High Mast floodlighting structures in various slums in Meru Town- Meru County	12,608,565	12,608,565
14	Installation of 4No. Electric Powered High Mast floodlighting structures in Isiolo county	16,341,004	16,341,004
15	Installation of 6No. Electric Powered High Mast floodlights structures in various slums in Ukunda (Diani) town- Kwale	27,054,691	27,054,691
16	Installation of 6No. Electric Powered High Mast floodlighting structures in various slums in Voi Town- Taita Taveta county	27,054,691	27,054,691

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17	Installation of 6No. Electric Powered High Mast floodlighting structures in various slums in Kajiado county	26,343,560	26,343,560
18	Installation of 6No. Electric Powered High Mast floodlighting structures in various slums in Tharaka Nithi County	26,741,677	26,741,677
	Total	4,520,215,331	1,442,433,238

Whereas the projects required a total of Kshs.1,442,433,238, only a budgetary allocation of Kshs.588,000,000 was made giving a shortfall of Kshs.854,433,233. During the year, only Kshs.488,000,000 was availed. However, together with the Kibera Soweto East Zone 'A' Mortgage repayments, 9 No. projects were completed and 4No. are partially complete as below:-

(A) Completed Projects during 2016/2017 Financial Year

1. Construction of sewer line in Bula Pesa Slums in Isiolo county
2. Construction of sewer line in Mjini slum in Bungoma county
3. Improvement of 15 No. wells in various slums in Lamu county
4. Installation of 6 No. highmast floodlighting structures in Kitale, Trans Nzoia county.
5. Installation 3 No.in Shauri Yako slums in Kiambu county
6. Installation 3 No.in Mumias, Kakamega county
7. Installation 3 No. in Meru town, Meru county
8. Installation 4 No. in Isiolo town, Isiolo county
9. Construction of 1.5 Km Cabbro footpath in Lamu county.

(B) Partially completed projects during 2016/2017 financial year.

1. Redevelopment of Kibera Soweto East Zone 'A' which stands at 99% complete
2. Completion of 462 No. housing units at Mavoko SNP Athi River which stands at 90% complete
3. Construction of a market at Kibung'a Informal Settlement - Tharaka Nithi which stands at 75% complete
4. Construction of 2km Kusyombunguo - Kunda Kindu Road in Wote, Makueni County which stands at 90% complete.

Challenges

1. Inadequate budgetary allocation led to stalling of 4No. projects and accumulation of pending certificates in respect of 7 No. projects amounting to Kshs.318,897,165.00 as shown below:-

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S/NO.	PROJECT	CONTRACT SUM	PENDING CERTIFICATES
1.	Completion of 463 No. housing units at Mavoko Sustainable Neighbourhood Programme (SNP), Athi River, Machakos County	1,102,264,208	103,033,480
2.	Proposed Re-development of Kibera Soweto East Zone 'A', Nairobi	2,908,440,969	122,210,997
3.	Construction of Kibung'a Market Tharaka Nithi County	45,356,470	19,829,469
4.	Construction of 2 KM in Kusyombunguo – Kunda Kindu road, Makueni County	98,632,748	26,583,500
5.	Construction of 1.5 Km Cabro footpath – Lamu County	31,542,500	14,944,886
6.	Installation of 3No. Electric Powered High Mast floodlighting structures in Shauri Yako Slum, Kiambu County	14,491,667	14,491,667
7.	Renovation of Decanting Site Estate, Kibera	17,803,166	17,803,166
	Total		318,897,165

Inadequate budgetary allocation also led to non-commencement of 4No. Projects as follows:-

S/No.	Project	Contract Sum	Requirement
1.	Installation of 6No. High mast floodlighting structures in various slums in Voi Town, Taita Taveta	27,054,691	27,054,691
2.	Installation of 6No. High mast floodlighting structures in various slums in Kajiado county	26,343,560	26,343,560
3.	Installation of 6No. High mast floodlighting structures in various slums in Tharaka Nithi county	26,741,677	26,741,677
4.	Installation of 6 No. High mast floodlighting structures in various slums in Tharaka Nithi county	27,054,691	27,054,691
	Total		107,194,619

2. Protracted court cases arising out of conflict of interests have affected completion of Langas Market in Eldoret Uasin Gishu County and market stalls in Kibera Soweto East Zone 'A'.

4. There was no budgetary allocation for the ongoing projects during 2017/2018 financial year.

Way Forward

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
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5. The State Department to source funds from within to clear the pending certificates totaling Kshs.318,897,165.00.
6. Budgetary allocation in 2018/2019 financial year is proposed to complete all ongoing projects at total of Kshs.1,100,212,539.00.
7. The 4No. Projects which are awaiting commencement on site will be terminated if no funds are allocated in the coming financial year.
8. Follow up with the Attorney General to fast track the determination of the 2No. court cases.

Principal activities

The principal activities of KENSUF continue to be development of housing units as well as installation of physical and social infrastructure such as markets, sewer lines, access roads, improvement of wells, high mast floodlighting structures and footpaths.

Results

The results of the entity for the year ended June 30, 2017 are set out on pages XII – XVI

Directors

The members of the Board of Directors who served during the year are shown on page V – VI.

Auditors

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

By Order of the Trustees

 Aida Njeri Munano
Principal Secretary


Date

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Charles Wafula Sikuku
Director


Date

VI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and through gazette notice no. 51, by legal notice no.168 under the Government Financial Trustees Act no.5 of 2004 require the Directors to prepare financial statements in respect of Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF), which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the KENSUF for that year/period. The Directors are also required to ensure that the KENSUF keeps proper accounting records which disclose with reasonable accuracy the financial position of the KENSUF. The Directors are also responsible for safeguarding the assets of the KENSUF.

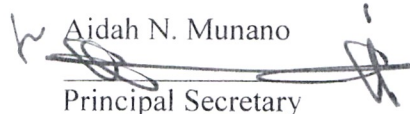
The Directors are responsible for the preparation and presentation of KENSUF financial statements, which give a true and fair view of the state of affairs of the KENSUF as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management 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 KENSUF; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

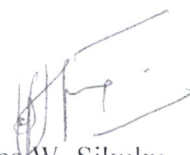
The Directors accept responsibility for the KENSUF's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and through gazette notice no. 51, by legal notice no.168 under the Government Financial Trustees Act no.5 of 2004. The Directors 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, 2017, and of the KENSUF's financial position as at that date. The Directors 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 Directors to indicate that the KENSUF will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KENSUF's financial statements were approved by the Trustees on 29th September, 2017 and signed on its behalf by:


Aidah N. Munano
Principal Secretary


Charles W. Sikuku
Director

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) – STATE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) set out on pages 18 to 39, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of financial position, statement 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, the financial statements present fairly, in all material respects, the financial position of Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Government Financial Regulations and Procedures and the Public Finance Management Act, 2012.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) in accordance with ISSAI 30 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 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 of the Auditor-General on the financial statements of Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) - State Department for Housing and Urban Development for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Fund or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstance.

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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

7 June 2017

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSU)
Reports and Financial Statements
For the year ended June 30, 2017

**I. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 2017**

	Note	2016-2017 Shs	2015-2016 Shs
Revenue from non-exchange transactions			
Transfers from other governments	1	448,000,000	328,000,000
		448,000,000	328,000,000
Revenue from exchange transactions			
Finance income	2	19,978,529	9,766,870
Other income	3	55,809,287	104,513,640
		75,787,816	114,280,510
Total revenue		523,787,816	442,280,510
Expenses			
Depreciation and amortization expense	4	81,004,044	63,765,349
General expenses	5	73,998,830	58,313,878
Finance costs	6	228,270	94,105
Total expenses		155,231,144	122,173,332
Surplus before Tax		368,556,672	320,107,178
Taxation		-	-
Surplus for the period		368,556,672	320,107,178

The notes set out on pages 23 to 42 form an integral part of these Financial Statements

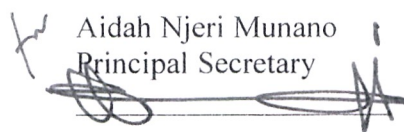
Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2016-2017	2015-2016
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	7	2,769,452	175,977,539
Receivables from non-exchange transactions	8	87,321,776	
Inventories(Work in Progress)	9	788,591,059	155,257,899
Total current assets		878,682,287	331,235,438
Non-current assets			
Property, plant and equipment	11	3,054,006,960	2,960,789,021
Total non - current assets		3,054,006,960	2,960,789,021
Total assets		3,932,689,247	3,292,024,459
Current liabilities			
Trade and other payables from exchange transactions (pending Bills)	15	273,122,718	-
Refundable deposits from customers	10	85,454,505	68,205,730
Total current liabilities		358,577,223	68,205,730
Non-current liabilities			
		-	-
Total liabilities		358,577,223	68,205,730
Net assets		3,574,112,024	3,223,818,727
General Reserves		2,769,629,895	2,419,336,600
Revaluation reserves		804,482,129	804,482,129
Total Reserves		3,574,112,024	3,223,818,729
Total net assets and liabilities		3,932,689,247	3,292,024,459

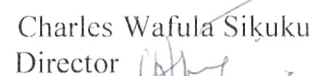
The Financial Statements set out on pages 18 to 22 were signed on behalf of the Fund by:

Aidah Njeri Munano
Principal Secretary



Date.....

Charles Wafula Sikuku
Director



Date

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

**XIII. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2017**

Statement of Changes in Equity		General Reserves	Revaluation Reserve	Total
		30 Jun 2017	30 Jun 2017	30 Jun 2017
		Shs	Shs	Shs
Balance as at 1 July 2015		2,345,881,542	0	2,345,881,542
Revaluation of Land and Buildings		-	504,959,351	504,959,351
Depreciation write back on revaluation Surplus		-	299,522,778	299,522,778
Notional loss on assets transferred to counties		320,107,175	-	320,107,175
As at 30 Jun 2016		(246,652,119)	-	(246,652,119)
		2,419,336,600	804,482,129	3,223,818,727
Balance as at 1 July 2016		2,419,336,600	804,482,129	3,223,818,729
Omitted payment	12	-18,263,377	-	-18,263,377
Surplus		368,556,672		368,556,672
As at 30 June 2017		2,769,629,895	804,482,129	3,574,112,024

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017

- **STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017**

	Note	2016-2017	2015-2016
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	1	448,000,000	328,000,000
Other income, rentals and agency fees	3	55,809,287	104,513,640
Total Receipts		503,809,287	432,513,640
Payments			
Bank Charges	6	228,270	94,105
Other payments	5	73,998,829	58,313,878
Total Payments		74,227,099	58,407,983
Net cash flows from operating activities		429,582,188	374,105,657
Cash flows from investing activities			
Interest Income from Call Account		19,978,529	9,766,870
Purchase of property, plant, equipment and intangible assets	11	(174,221,983)	(796,293,541)
(Decrease)/increase in non-exchange transactions		-87,321,776	-
(Decrease)/increase in inventory(work in progress)		-378,473,820	51,970,883
(Decrease)/increase in Payables		17,248,775	(120,176,616)
Adjustment		-	-
Net cash flows used in investing activities		(602,790,275)	(854,732,404)
Net increase/(decrease) in cash and cash equivalents		(173,208,087)	(480,626,747)
Cash and cash equivalents as at 1st JULY		175,977,539	656,604,286
Cash and cash equivalents at 30 JUNE	7	2,769,452	175,977,539

Aidah Njeri Munano
Principal Secretary

Date

Charles Wafuta Sikuku
Director

Date

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

	Original Budget 2016-2017 Shs	Adjustments 2016-2017 Shs	Final Budget 2016-2017 Shs	Actual on Comparable Basis 2016-2017 Shs	Performance Difference 2016-2017 Shs	Explanation of material variances
Revenue						
Government grants and subsidies	588,000,000	(140,000,000)	448,000,000	448,000,000	(140,000,000)	(24%)
Finance income	20,500,000	-	19,978,528	19,978,529	521,471	-2.5%
Other income	57,676,558	(1,867,271)	55,809,287	55,809,287	-1,867,271	(3%)
Total income	665,655,087.17	(141,867,271)	523,787,816	523,787,816	-141,867,271.5	(21%)
Expenses						
Depreciation and amortization expense	82,000,000	-	82,000,000	81,004,044	-995,956	-1.2%
General expenses	74,500,000	-	74,500,000	73,998,830	-501,170	-0.7%
Finance costs	300,000	-	300,000	228,270	-71,730	-24%
Total expenditure	156,800,000	-	156,800,000	155,231,144	-1,568,856	-1%
Surplus for the period	508,855,087	-141,867,271	366,987,816	368,556,672	-140,298,415	-38%
						Shortfall due to lack of budgetary Allocation after supplementary reduction
						Receipts not accounted for due to lack of Bank Slips

for
Aidah Njeri Munano
 Principal Secretary


 Date.....

Charles Wafula Sikuku
 Director


 Date.....

XV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF) is established by and derives its authority and accountability from Government Financial Trustees Act No. 5 of 2004. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity/mission is to provide funds for slum upgrading, low cost housing and infrastructure programmes to support housing development.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

KENSUF's financial statements have been prepared in accordance with 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 KENSUF. 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 direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) 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.

ii) Revenue from exchange transactions

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.

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly in June 2016. 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 recorded reduced appropriations of Kshs.100,000,000 on the 2016-2017 budget following the governing body's approval.

KENSUF'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.

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 section XV of these financial statements.

c) 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. 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. Depreciation is recognized on a reducing balance basis at 2.5% for buildings, 25% for Motor Vehicles and 33.3% for Office Equipment and Furniture

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Financial instruments

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.

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 KENSUF 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.

i) 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:

- Raw materials: purchase cost using the weighted average cost method
- 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.

j) Provisions

Provisions are recognized when KENSUF 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 KENSUF 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.

Contingent liabilities

KENSUF 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.

k) Nature and purpose of reserves

KENSUF ended the year with a General Reserve of Kshs.2,836,597,770 and a Revaluation Reserve of Kshs. 804,482,129. The General Reserve includes current year's surplus of Kshs. 359,530,392 that will be used to supplement the grants received from State Department of Housing and Urban Development in its core activities of development of Housing units and installation of physical and social infrastructure within the slum areas. The Revaluation Reserve caters for Revaluation of its fixed assets especially Land and Buildings in line with appreciation in their value and depreciation of plant and equipment.

p) Related parties

KENSUF 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 KENSUF, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

r) 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.

s) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of KENSUF'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

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

Useful lives and residual values

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

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

Provisions

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

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

u) Subsequent events

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

Reports and Financial Statements

for the year ended June 30, 2017

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, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Transfers from other governments

Description	2016-2017	2015-2016
	KShs	KShs
Unconditional grants		
Operational grant	448,000,000	328,000,000
Total government grants and subsidies	448,000,000	328,000,000

1.b Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2015-2016 KShs
State Department for Housing and Urban Development	448,000,000	0	0	448,000,000	328,000,000
Total	448,000,000	0	0	448,000,000	328,000,000

(The details of the reconciliation have been included under appendix 3)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Finance income

Description	2016-2017	2015-2016
	KShs	KShs
Interest on current account	19,978,529	9,766,870
Total finance income	19,978,529	9,766,870

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

3. Other Income

Description	2016-2017	2015-2016
	Kshs	Kshs
Mortgage Repayments	55,809,287	104,513,640
Total Mortgage Repayment	55,809,287	104,513,640

4. Depreciation and amortization expense

Description	2016-2017	2015-2016
	KShs	KShs
Depreciation on Property, plant and equipment	81,004,044	63,765,349
Total depreciation and amortization	81,004,044	63,765,349

5. General expenses

Description	2016-2017	2015-2016
	KShs	KShs
Consulting fees	28,825	32,229,175
Travel and Accommodation expenses	28,704,145	403,073
General Expenses Admin	42,269,080	25,681,630
Miscellaneous Expenses	2,996,779.20	0
Total General Expenses	73,998,829	58,313,878

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

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Finance costs

Description	2016-2017	2015-2016
	KShs	KShs
Bank Charges	228,270	94,105
Total Finance Cost	228,270	94,105

7. Cash and cash equivalents	2016-2017	2015-2016
	Shs	Shs
Current account	2,769,452	30,000,000
On- call deposits	-	145,977,539
Total cash and cash equivalents	2,769,452	175,977,539

7 (a) Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2016-2017	2015-2016
		Shs	Shs
a) Current account			
Co-operative bank	A/c No .01120004411500	2,769,452	30,000,000
Sub- total		2,769,452	30,000,000

8. Receivables from non- exchange contracts	2016-2017	2015-2016
Current receivables		
	Shs	Shs
Receipts in Bank and not in Cashbook	1,867,271	-
Other debtors (retention money held in Ministry's account)	85,454,505	-
Total current receivables	87,321,776	-

8 (a) Receivables in Arrears	2016-2017	2015-2016
	Shs	Shs
Receipts in Bank and not in Cashbook	1,867,271	-
Other debtors (retention money held in Ministry's account)	85,454,505	-
Total current receivables	87,321,776	-

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

9. Inventories	2016-2017	2015-2016
	Current year	Prior year
	Shs	Shs
Work In Progress	788,591,059	155,257,899
Total inventories at the lower of cost and net realizable value	788,591,059	155,257,899

10. Trade and other payables from exchange transactions	2016-2017	2015-2016
	Shs	Shs
Third-party payments(Retention money)	85,454,505	68,205,730
Total trade and other payables	85,454,505	68,205,730

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. a) Property, plant and equipment	Land and Buildings		Furniture and fittings		Computers		Total	
	Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2015		1,903,223,643	3,506,000	20,129,262	1,926,858,905			
Additions		796,293,541			796,293,541			
Disposals		(252,976,535)			(252,976,535)			
Transfers/adjustments		504,959,350			504,959,350			
At June 2016		2,951,499,999	3,506,000	20,129,262	2,975,135,261			
Additions		174,221,983			174,221,983			
At end of year - June 2016		3,125,721,982	3,506,000	20,129,262	3,149,357,244			
Depreciation and impairment								
At 1 July 2015		244,471,037	2,221,596	9,735,449	256,428,082			
Depreciation		61,376,154	156,051	2,233,144	63,765,349			
On Disposals		(6,324,413)			(6,324,413)			
Transfer/adjustment		(299,522,778)			(299,522,778)			
At 30 June 2016		-	2,377,647	11,968,593	14,346,240			
Depreciation(Charge for the year)		78,143,050	141,044	2,719,950	81,004,044			
At 30 June 2017		78,143,050	2,518,691	14,688,544	95,350,284			
Net book values								
At 30 June 2017		3,047,578,932	987,309	5,440,719	3,054,006,960			
At 30 June 2016		2,951,499,999	1,128,353	8,160,669	2,960,789,021			

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
Reports and Financial Statements
For the year ended June 30, 2017

11 b) Property, plant and equipment	2016-2017	2016-2017
	Kshs	
Cost		
At 1 July 2016	2,975,135,261	1,926,858,905
Additions	174,221,983	796,293,541
Disposals	-	252,976,535
Transfers/adjustments	-	504,959,350
As at 30 June 2017	3,149,357,244	2,975,135,261
Depreciation and impairment		
At 1 July 2016	14,346,240	256,428,082
Depreciation	81,004,044	63,765,349
Disposals	-	6,324,413
Transfer/adjustment	-	299,522,778
At 30 June 2017	95,350,284	14,346,240
Net Book Values	3,054,006,960	2,960,789,021

12. Reserves

General Reserve - Kshs.2,769,629,895

The General Reserve includes Kshs. 18,263,377 payment due to M/S Durdur Construction that had been omitted from the previous statement for 2015/16 financial year. It has been included as adjustments

Revaluation Reserve - Kshs. 804,482,129.

The Revaluation Reserve caters for Revaluation of its fixed assets especially Land and Buildings in line with appreciation in their value and depreciation of plant and equipment.

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

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cash generated from operations

	Note	Cumulative to date Shs	Actual Audited Shs
Cash and cash equivalents at the beginning of the year		175,977,539	656,604,286
Cash flows from operating activities			
Receipts			
Government grants and subsidies	1	448,000,000	328,000,000
Other income, rentals and agency fees	3	55,809,287	104,513,640
		503,809,287	432,513,640
Payments			
Bank Charges	6	228,270	94,105
Other payments	5	73,998,829	58,313,878
Total Payments		74,227,099	58,407,983
Net cash flows from operating activities		429,582,188	374,105,657
Cash flows from investing activities			
Interest Income from Call Account	2	19,978,529	9,766,870
Purchase of property, plant, equipment and intangible assets	11	(174,221,983)	(796,293,541)
(Decrease)/increase in non-exchange transactions	8	-87,321,776	
(Decrease)/increase in inventory(work in progress)		-378,473,820	51,970,883
(Decrease)/increase in Payables		17,248,775	(120,176,616)
Adjustment		-	-
Net cash flows used in investing activities		(602,790,275)	(854,732,404)
Net increase/(decrease) in cash and cash equivalents		(173,208,087)	(480,626,747)
Cash and cash equivalents at 30 June 2017	7	2,769,452	175,977,539

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Financial Risk Management

KENSUF's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

KENSUF has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs
At 30 June 2017		
Receivables from non exchange transactions	87,321,776	87,321,776
Bank balances	6,454,289	6,454,289
Total	93,776,065	93,776,065
At 30 June 2016		
Receivables from non exchange transactions	87,321,776	87,321,776
Bank balances	175,977,539	175,977,539
Total	263,299,315	263,299,315

(i) Credit risk (Continued)

The customers under the fully performing category are paying their debts as they continue repaying their mortgage. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

KENSUF has significant concentration of credit risk on amounts due from tenants who are not able to make regular mortgage repayments due to their economic standing or negligence.

The board of directors sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the KENSUF's directors, who have built an appropriate liquidity risk management framework for the management of the KENSUF's short, medium and long-term funding and liquidity management requirements. KENSUF manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. There is however no risk associated with Kshs. 85,454,505 retention money held on behalf of contractors as it is held at the Central Bank of Kenya

	Over 5 months Kshs	Total Kshs
At 30 June 2017		
Other payables	85,454,505	85,454,505
Total	85,454,505	85,454,505
At 30 June 2016		
Other payables	68,205,730	68,205,730
Total	68,205,730	68,205,730

Financial Risk Management (Continued)

(iii) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 2,769,452 (2016: KShs 175,977,539). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 138,473 (2012 - KShs 8,798,877)

Capital Risk Management

The objective of the Fund's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2016-2017	2015-2016
	Kshs	Kshs
Revaluation Reserve	804,482,129	804,482,129
Retained earnings	359,530,592	320,107,178
Total funds	1,164,012,721	1,164,012,721
Less: Cash and Bank Balances	6,454,289	175,977,539
Net Debt	1,157,558,432	988,035,182
Gearing	99%	85%

14. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

- i) The National Government - The National Treasury
- ii) The Parent Ministry – State Department for Housing and Urban Development

b) Related party transactions

	2017	2016
	Kshs	Kshs
Transfers from related parties'	448,000,000	328,000,000

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Pending Bills

Below is the list of unpaid invoices as at 30 June 2017 as a result of insufficient funding resulting from a budgetary downward revision of Kshs. 140 million. The bill have been treated as current liability in the Statement of Financial Position

Supplier	Details	Amount (KShs)
EpcO Builder's	Certificate No. 25 Mavoko Housing scheme	45,546,898
EpcO Builder's	Certificate No. 29 Mavoko Housing scheme	21,362,560
EpcO Builder's	Certificate No. 32 Mavoko Housing scheme	20,675,863
EpcO Builder's	Certificate No. 33 Soweto East Zone 'A' Kibera	122,210,997
Nexis Supplies	Certificate No. 2 Kashmire slums	14,944,887
Kenric Contractor's	Certificate No. 2 Kibunga Market Stalls	13,886,9390
Kenric Investment	Certificate No. 3 Kibunga Market Stalls	5,942,530
Durdur Contractor's	Certificate No. 3	16,480,869.53
Durdur Contractors	Certificate No. 4	10,102,631.41
Penguin	Certificate No. 1	12,071,174.76
	Total	273,122,718.29

16. Capital Commitments

Capital commitments	2016-2017 Kshs	2015-2016 Kshs
Authorised for	107,194,619	-
Authorised and contracted for	318,897,165	-
Total	426,091,784	-

17. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

18. Currency

The financial statements are presented in Kenya Shillings (Kshs).

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

Reports and Financial Statements

For the year ended June 30, 2017

VI. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT		
Break down of Transfers from the State Department of Housing and Urban Development				
FY 16/17				
a.	Development Grants			
		<u>Bank Statement</u>		<u>Indicate the FY to</u>
		<u>Date</u>	<u>Amount (KShs)</u>	<u>which the amounts</u>
		16-09-2017	294,000,000	2016-2017
		30-01-2017	71,500,000	2016-2017
		20-03-2017	82,500,000	2016-2017
		Total	448,000,000	

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

Accountant
KENSUF

Head of Accounting Unit
State Department for
Housing and Urban
Development

Sign uds

Sign [Signature]

Kenya Slum Upgrading, Low cost Housing and Infrastructure Trust Fund (KENSUF)
 Reports and Financial Statements
 For the year ended June 30, 2017

Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for Housing and Urban Development	16-09-2016 18-01-2017 20-03-2017	Development Development Development	294,000,000 71,500,000 82,500,000	294,000,000 71,500,000 82,500,000	0 0 0	0 0 0	0 0 0	0 0 0	294,000,000 71,500,000 82,500,000
Total			448,000,000	448,000,000	0	0	0	0	448,000,000

K.E.N.S.U.F**INTEREST INCOME**

	MONTH	INTEREST
	July	
	August	
	September	16,300,521.00
	October	
	November	
	December	
	January	3,678,008.20
	February	
	March	
	April	
	May	
	June	
	TOTAL	19,978,529.20

Personal Current Account Statement



CO-OPERATIVE BANK OF KENYA

Statement Date 05-Jul-17
 Statement Period 01-Jul-16 to 30-Jun-17
 Page Page 2 of 7
 Branch PARLIAMENT ROAD BRANCH
 Branch Code 00011044
 Contact Details
 Tel

K.E.N.S.U.F
 P.O. BOX 30119 NAIROBI
 MINISTRY OF HOUSING

KEN

KEN
 00100

Account No	011500044115
Account Description	CALL DEPOSITS - CUSTOMERS
Currency	KES

TRANS DATE	DETAILS	CHANNEL ID	VALUE DATE	DEBIT	CREDIT	BOOK BALANCE
18-Aug-16	KENSUF0000010112000 4411500	SVR	18-Aug-16		86,200.00	31,348,920.16 CR
19-Aug-16	000001011500044115	SVR	19-Aug-16	1,501,852.00		29,847,068.16 CR
20-Aug-16	KENSUF0000010112000 4411500	SVR	20-Aug-16		22,800.00	29,869,868.16 CR
22-Aug-16	KENSUF0000010112000 4411500	SVR	22-Aug-16		176,282.00	30,046,150.16 CR
23-Aug-16	KENSUF0000010112000 4411500	SVR	23-Aug-16		57,035.00	30,103,185.16 CR
24-Aug-16	KENSUF0000010112000 4411500	SVR	24-Aug-16		804,110.00	30,907,295.16 CR
25-Aug-16	000001011500044115	SVR	25-Aug-16	1,243,584.70		29,663,710.46 CR
26-Aug-16	KENSUF0000010112000 4411500	SVR	26-Aug-16		56,459.50	29,720,169.96 CR
27-Aug-16	KENSUF0000010112000 4411500	SVR	27-Aug-16		4,400.00	29,724,569.96 CR
29-Aug-16	KENSUF0000010112000 4411500	SVR	29-Aug-16		44,400.00	29,768,969.96 CR
30-Aug-16	KENSUF0000010112000 4411500	SVR	30-Aug-16		55,480.00	29,824,449.96 CR
31-Aug-16	KENSUF0000010112000 4411500	SVR	31-Aug-16		52,671.50	29,877,121.46 CR
01-Sep-16	KENSUF0000010112000 4411500	SVR	01-Sep-16		101,002.00	29,978,123.46 CR
02-Sep-16	KENSUF0000010112000 4411500	SVR	02-Sep-16		58,555.00	30,036,678.46 CR
03-Sep-16	KENSUF0000010112000 4411500	SVR	03-Sep-16		55,350.00	30,092,028.46 CR
05-Sep-16	KENSUF0000010112000 4411500	SVR	05-Sep-16		226,128.00	30,318,156.46 CR
06-Sep-16	000001011500044115	SVR	06-Sep-16	5,303,389.00		25,014,767.46 CR
07-Sep-16	KENSUF0000010112000 4411500	SVR	07-Sep-16		403,079.00	25,417,846.46 CR
08-Sep-16	000001011500044115	SVR	08-Sep-16	215,585.00		25,202,261.46 CR
09-Sep-16	000001011500044115	SVR	09-Sep-16	264,499.00		24,937,762.46 CR
10-Sep-16	KENSUF0000010112000 4411500	SVR	10-Sep-16		82,310.00	25,020,072.46 CR
13-Sep-16	INTEREST APPLIED	BFTC	13-Sep-16		16,300,521.20	41,320,593.66 CR
13-Sep-16	WITHHOLDING TAX	SVR	13-Sep-16	2,445,078.18		38,875,515.48 CR
13-Sep-16	000001011500044115	SVR	13-Sep-16	2,621,650.00		36,253,865.48 CR
14-Sep-16	000001011500044115	SVR	14-Sep-16	1,312,360.00		34,941,505.48 CR
15-Sep-16	KENSUF0000010112000 4411500	SVR	15-Sep-16		160,975.00	35,102,480.48 CR
16-Sep-16	KENSUF0000010112000 4411500	SVR	16-Sep-16		294,011,212.00	329,113,692.48 CR
17-Sep-16	000001011500044115	SVR	17-Sep-16	93,520.00		329,020,172.48 CR
19-Sep-16	KENSUF0000010112000 4411500	SVR	19-Sep-16		1,294,937.00	330,315,109.48 CR

Kindly examine this statement immediately. Any discrepancies must be reported to the Bank as soon as possible. Please note that the balance reflected could change if there are transactions that still need to be processed.

Personal Current Account Statement



CO-OPERATIVE BANK OF KENYA

Statement Date 05-Jul-17
 Statement Period 01-Jul-16 to 30-Jun-17
 Page Page 6 of 7
 Branch PARLIAMENT ROAD BRANCH
 Branch Code 00011044
 Contact Details
 Tel

K.E.N.S.U.F
 P. O. BOX 30119 NAIROBI
 MINISTRY OF HOUSING

KEN
 KEN
 00100

Account No	011500044115
Account Description	CALL DEPOSITS - CUSTOMERS
Currency	KES

TRANS DATE	DETAILS	CHANNEL ID	VALUE DATE	DEBIT	CREDIT	BOOK BALANCE
06-Jan-17	KENSUF0000010112000 4411500	SVR	06-Jan-17		95,250.00	22,399,034.53 CR
07-Jan-17	KENSUF0000010112000 4411500	SVR	07-Jan-17		24,300.00	22,423,334.53 CR
09-Jan-17	KENSUF0000010112000 4411500	SVR	09-Jan-17		441,435.00	22,864,769.53 CR
10-Jan-17	KENSUF0000010112000 4411500	SVR	10-Jan-17		304,420.50	23,169,190.03 CR
11-Jan-17	000001011500044115	SVR	11-Jan-17	19,890,744.90		3,278,445.13 CR
12-Jan-17	000001011500044115	SVR	12-Jan-17	3,278,445.13		0.00 CR
20-Jan-17	INTEREST APPLIED	BFTC	20-Jan-17		3,678,008.20	3,678,008.20 CR
20-Jan-17	WITHHOLDING TAX	SVR	20-Jan-17	551,701.23		3,126,306.97 CR
20-Jan-17	000001011500044115	SVR	20-Jan-17	3,126,306.97		0.00 CR
03-Feb-17	KENSUF0000010112000 4411500	SVR	03-Feb-17		32,574,067.75	32,574,067.75 CR
04-Feb-17	KENSUF0000010112000 4411500	SVR	04-Feb-17		21,860.00	32,595,927.75 CR
06-Feb-17	KENSUF0000010112000 4411500	SVR	06-Feb-17		190,598.00	32,786,525.75 CR
07-Feb-17	KENSUF0000010112000 4411500	SVR	07-Feb-17		240,726.00	33,027,251.75 CR
08-Feb-17	KENSUF0000010112000 4411500	SVR	08-Feb-17		133,051.00	33,160,302.75 CR
09-Feb-17	000001011500044115	SVR	09-Feb-17	814,592.30		32,345,710.45 CR
10-Feb-17	000001011500044115	SVR	10-Feb-17	32,345,710.45		0.00 CR
16-Feb-17	KENSUF0000010112000 4411500	SVR	16-Feb-17		11,062,405.65	11,062,405.65 CR
17-Feb-17	KENSUF0000010112000 4411500	SVR	17-Feb-17		87,760.00	11,150,165.65 CR
18-Feb-17	KENSUF0000010112000 4411500	SVR	18-Feb-17		45,000.00	11,195,165.65 CR
20-Feb-17	KENSUF0000010112000 4411500	SVR	20-Feb-17		109,210.00	11,304,375.65 CR
21-Feb-17	KENSUF0000010112000 4411500	SVR	21-Feb-17		109,400.00	11,413,775.65 CR
22-Feb-17	KENSUF0000010112000 4411500	SVR	22-Feb-17		75,551.00	11,489,326.65 CR
23-Feb-17	KENSUF0000010112000 4411500	SVR	23-Feb-17		41,550.00	11,530,876.65 CR
24-Feb-17	000001011500044115	SVR	24-Feb-17	11,530,876.65		0.00 CR
22-Mar-17	KENSUF0000010112000 4411500	SVR	22-Mar-17		57,085,425.40	57,085,425.40 CR
23-Mar-17	000001011500044115	SVR	23-Mar-17	57,085,425.40		0.00 CR
	TOTAL VALUE			589,957,679.16	443,980,140.65	
CLEAR BALANCE AS ON 05-Jul-17						0.00 CR
BOOK BALANCE AS ON 05-Jul-17						0.00 CR
						"End of Statement!"

Kindly examine this statement immediately. Any discrepancies must be reported to the Bank as soon as possible. Please note that the balance reflected could change if there are transactions that still need to be processed.

K.E.N.S.U.F

FINANCE INCOME (MORTGAGE)	
July	460,374.00
August	4,365,776.25
September	3,015,112.00
October	2,714,874.25
November	3,874,706.50
December	2,630,774.75
January	2,851,248.50
February	18,840,688.00
March	4,813,996.75
April	3,444,963.00
May	3,781,764.50
June	3,147,737.00
Receipts in bank not in cash book	1,867,271.00
TOTAL	55,809,286.50