

# REPORT

OF

## THE AUDITOR-GENERAL

ON

PARLIAMENT  
OF KENYA  
LIBRARY

### LOCAL AUTHORITIES PROVIDENT FUND

FOR THE YEAR ENDED

THE NATIONAL ASSEMBLY  
30 JUNE, 2021

DATE: 24 NOV 2022

DAY:  
Thurs.

TABLED  
BY:

LOM

CLERK-AT  
THE-TABLE:

F Ngonyo



**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2021**

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

**Local Authorities Provident Fund (LAPFUND)  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

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## I. Key LAPFUND's Information and Management

### (a) Background information

Local Authorities Provident Fund (LAPFUND) was established under the law of Kenya, The Local Authorities Provident Fund Act, CAP 272, on the 5<sup>th</sup> of July 1960. At cabinet level, LAPFUND is represented by the Cabinet Secretary for National Treasury who is responsible for the general policy and strategic direction of LAPFUND

### (b) Principal Activities

The principal activities of LAPFUND are as stipulated in CAP 272; to establish a provident fund for certain employees of local authorities; to provide for contributions to the fund by such employees and authorities, and for the administration of the fund by a Local Authorities Provident Fund Board; and for matters incidental thereto and connected therewith.

The Act provides for the establishment of the fund to be credited with:

- a. Assets transferred from other Funds
- b. Amounts contributed each month by contributors and sponsors
- c. Dividends, interest and other incomes accruing from investments of the Fund
- d. Sums contributed by Local Authorities (Sponsors) towards the expenses of management and administration of the Fund
- e. Such other moneys as may from time to time be received by the Board

### (c) Key Management

LAPFUND's day-to-day management is under the Local Authorities Provident Fund Board

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

S/N	Name	Designation
1	Mr. David Koross	Chief Executive Officer
2	Mr. Bernard Mbogoh	Chief Manager - Finance & Corporate Services
3	Mr. Galm Jaldesa	Chief Manager - Benefits Administration, Marketing & Customer Services
4	Ms. Veronicah Leseya	Chief Manager - Strategy, Research, Planning & Compliance
5	Mr. Sylvester Mutie	Manager - Strategy, Research & Business Development
6	Mr. David Methu	Manager - Internal Audit
7	Ms. Jane Mmasi	Manager - Human Resource & Administration
8	Ms. Rhodah Chemashack	Manager - Finance & Investments
9	Mr. Daniel Kibet	Manager - Supply Chain
10	Ms. Golda Akolo	Manager - Benefits Administration
11	Mr. Eliud Kiborek	Manager - Marketing & Member Recruitment
12	Mr. Martin Ayoo	Manager - Information, Communication & Technology
13	Ms. Kellen Njue	Manager - Legal Services

#### (e) Fiduciary Oversight Arrangements

LAPFUND has put in place key fiduciary oversight arrangements covering:

- i) Board Committees
  - Risk, Audit & Governance Committee;
  - Finance & Asset Committee
  - Strategy & Investments Committee and
  - Human Resources & Governance Committee.
- ii) Transparency and Accountability Governance Structures.

#### (f) Head Quarters

P.O. Box 79592 - 00200  
316 Upperhill Chambers, 2<sup>nd</sup> Ngong Avenue  
Nairobi, KENYA  
ISDN 0709 805 000, 0709 805100  
E-mail: [info@lapfund.or.ke](mailto:info@lapfund.or.ke)  
Website: [www.lapfund.or.ke](http://www.lapfund.or.ke)

#### (g) Contacts

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Website: [www.lapfund.or.ke](http://www.lapfund.or.ke)

#### i. Branch Offices

##### Coast

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Dedan Kimathi Road

##### Mombasa

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**Nakuru**

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**Nyeri**

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**Upper North Eastern**

Desert Trail Building  
Isiolo-Marsabit Main Road

**Isiolo**

Telephone: +254 709 805 000  
[isiolooffice@lapfund.or.ke](mailto:isiolooffice@lapfund.or.ke)

**North Eastern**

Lilac Centre, 1ST Floor  
Off Kismayu Road

**Garissa**

Telephone: +254 709 805 000  
[garissaoffice@lapfund.or.ke](mailto:garissaoffice@lapfund.or.ke)

**(h) Bankers**

Co-operative Bank of Kenya Limited  
Co-operative Bank House  
P.O Box 5772 – 00200  
Nairobi, Kenya

National Bank of Kenya  
Harambee Avenue  
P.O Box 41862 – 00506  
Nairobi, Kenya

Kenya Commercial Bank  
Gateway Park /Kipande House  
P.O Box 27618 – 00506  
Nairobi, Kenya

NIC Bank  
Kenyatta Avenue  
P.O Box 44599-00100  
Nairobi, Kenya

**(i) Independent Auditors**

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

**Our Vision**

The preferred savings and retirement benefits provider

**Our Mission**

To receive, prudently invest and manage members' contributions for prompt payment of benefits for secured retirement.

**Our Core Values**

In an endeavour to realize our vision and mission, LAPFUND is guided by the following core values, Customer focus, Teamwork, Continuous improvement, Professionalism and integrity

**II. The Board of Directors**



**CS. Sellestina Kiuluku, EBS**  
**Board Chairperson**

Mrs. Kiuluku has over 27 years of experience in public sector service in the areas of human resource management and development, electoral matters, salaries and benefits analysis, customer care, financial and risk management and corporate governance

She holds a Master’s degree in Business Administration, a Bachelor’s degree in Education and is a Certified Secretary



**Ms. Mwanyasi Kirigha**  
**Board Member**

Ms. Kirigha is a quality engineer who holds a bachelor’s degree in science (Industrial Chemistry)  
She has vast experience in Quality management.



**Mr. Guyo Okola Haro**  
Board Member

Mr. Guyo has a broad range of experience in Arid and Semi-arid lands (ASAL) spanning over 30 years in progressive leadership and management.

He holds a Master's degree in Science in Natural Resource Management, a Bachelor's of Science (ecology) and Post Graduate Diploma in Sustainable Agriculture.



**Mr. Elyas Sheikh Abdinoor**  
Board Member

Mr. Abdinoor has worked in the medical field for over 11 years.

He holds a Bachelor's degree in Food Science, Nutrition and Dietetics, a Diploma in Community Health and a Diploma in Medical Laboratory.

He is currently pursuing a Master's degree in Public Health (MPH)



**Mr. Odongo M. Okeyo**  
**Board Member**

Mr. Okeyo is an experienced lawyer with over 30 years of experience in both the public and private sector

He holds a Master's degree in Strategic Planning, Bachelor's degree in Law, and is a Certified Secretary



**Hon. Patrick Muiruri**  
**Board Member**

A career civil servant, Hon. Muiruri has a vast experience in the public sector management, as well as the agricultural sector



**Mrs. Nancy Ingato Anyanda**  
Board Member

Mrs. Anyanda is an esteemed marketing professional and a certified counsellor (Psychology).

She holds Bachelor's degree in Business Administration (marketing option).



**Ms. Jane Wambugu**  
Board Member

Mrs. Wambugu is an Alternate Director to the Cabinet Secretary, The National Treasury and Planning, where she currently serves in the Department of Government Investment and Public Enterprise. She has over 12 years' experience having served in various Government Ministries and as a Project Accountant in World Bank and AFD donor funded projects in the Ministry of Energy.

She holds a Master's degree in Business Administration (Finance), Certified Public Accountant (CPA) and a member of the Institute of Public Accountant of Kenya (ICPAK) as well as the Institute of Certified Investment and Financial Analyst (ICIFA).



**Mr. David Koross**  
**Chief Executive Officer**

Mr. Koross holds a Master Degree in Public Policy Management from Strathmore Business School and a Bachelor of Arts degree in Economics from University of Nairobi.

He has a wide area of expertise in Marketing, Financial/Investment Management and Reporting, Customer Management, Pension Schemes Regulation and Administration. Previously served as a director of NG-CDF Board.

III. Management Team



**Mr. David Koross**  
Chief Executive Officer  
MBA (Public Policy Management), BA Economics



**Mr. Bernard Mbogoh**  
Chief Manager Finance & Investments  
BA Economics, CPA (K)



**Mr. Galm Jaldesa**  
Chief Manager, Research, Planning  
Strategy & Business Development  
MBA, B Com Finance



**Mrs. Veronicah Soila Leseya-Owende**  
Chief Manager, Admissions & Benefits Administration  
Bachelor of Arts (Hons), AIK, CPAM



**Kellen Njue**  
Manager, Legal Services  
LLB, LLM, Dip (KSL), CPS (K)



**Mr. David Methu**  
Manager, Internal Audit  
CPA (K), BSC (Applied Statistics)



**Mr. Sylvester Mutie**  
Manager, Research, Planning, Strategy &  
Business Development  
MBA Finance, Bcom (Finance) CPA (K),  
CIPS (M),



**Ms. Chemashack Ndiwa**  
Manager, Finance  
MSc (Finance), BCom (Accounting)  
CPA(K)



**Ms. Jane Mmasi**  
Manager Human Resource &  
Administration  
IHRM, BBM (HRM), HSC



**Martin Ayoo**  
Manager, ICT  
MSc (D.Comm), BSc (IT), Dip (IT)



**Eliud Kiborek**  
Manager, Marketing & Member  
Recruitment  
BBM (Marketing)



**Mr. Daniel Kibet**  
Manager, Supply Chain  
BCom, MCIPS, MKISM



**Ms. Golda Akolo**  
Manager, Admissions & Benefit  
Administration  
MSc (Actuarial Science),  
BSc (Actuarial Science)

#### **IV. Chairperson Statement**



On behalf of LAPFUND Board, I am pleased to present the annual report and financial statements for the financial year ended 30<sup>th</sup> June 2021.

LAPFUND main objective is to provide retirement benefits to eligible members upon their retirement or earlier withdrawal and benefits to the dependents of deceased members. To meet this objective, LAPFUND collects contributions from members and their employers and invests them in approved assets with an aim to maximize returns subject to an acceptable degree of risk

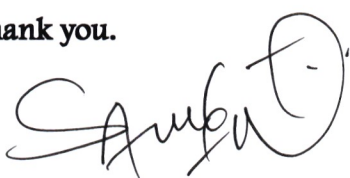
LAPFUND has investments in various asset classes namely government securities, equities, deposits, corporate bonds and property investments. Over the 12 months to 30<sup>th</sup> June 2021, the total fund under Fund Managers generated a return of 14.6%. Fixed income securities generated a return of 10.76% while Equities portfolio provided a return of 30.1%.

In cognizant of our role as a pension scheme, LAPFUND Board will continue to effectively supervise, monitor, and evaluate the performance of the Fund investments to ensure the allocations are within the allowable asset classes provided in the Retirement Benefits Regulations and Investments Policy aimed at maximising returns on members savings.

#### **Appreciation**

I wish to thank the Board, Management, Staff and Stakeholders for their dedication and commitment in making LAPFUND the preferred savings and retirements benefits scheme.

**Thank you.**



**CS. Sellestina Kiuluku, EBS**

**V. Report of the Chief Executive Officer**

It is my honour to present to you the financial statements for the financial year 2020/2021. The period under review has been greatly impacted by the Global Covid-19 Pandemic resulting to change in normal operations of working from home. In spite of all, LAPFUND employed various strategies to ensure customer satisfaction and service delivery was maintained.



During the year under review, LAPFUND through departmental and organizational workplans has had notable achievements in line with the Performance Contracting cycle for FY 2020/2021 which include;

***a. Complaints Handling Reporting***

I'm happy to report that in the year under review, LAPFUND achieved and received certification of 93%, 90% and 92% score in the last three quarters respectively for handling of Public Complaints and Access of Information by The Commissioner of Administrative Justice (CAJ). LAPFUND strives to ensure service delivery to its stakeholders through official communication channels established.

***b. Mobile Application***

In line with the Performance Contracting cycle for FY 2020/2021, LAPFUND has rolled out a mobile application that is available at both Playstore and Appstore enabling members to access information on their membership.

***c. Business Plan***

In the year under review, LAPFUND developed and drafted the 3-year Business Plan which outlines organization's direction in business processes and strategies on achieving the same. This is complimented by the Business Continuity Plan which focuses on budget allocation and target achievement with specified timelines.

## **Performance Highlights**

During the financial year;

- a) Member contributions reduced by 4% from 7.4bn in last year to 8bn. The increase is attributed to increase of contributions by sponsors.
- b) Benefits paid during the period under review increased by 13% from Kshs 3.6bn in FY 2019\_20 to Kshs 4.1bn. This was due to increased member exits due to retirement and accumulated interest the benefits during the period
- c) Total investments income during the period under review increased by over 14% from Kshs 0.81bn in FY 2019\_20 to Kshs 1.84bn. This was due to:
  - Improved income from the long-term fixed investments due to decline in interest rates over the period
  - Increase in rental income from the properties
  - Improved fair value of equity and treasury bonds investments
- d) Administrative costs reduced by 5% from 933M in FY2019\_20 to 887M in year under review. This is attributed to:
  - A halt in the board activities scheduled during the year due to the court case challenging the legality of Board appointment.
  - Slowdown in marketing and recruitment activities in the first quarter of the year as a result of outbreak of Covid-19
  - A halt in employee training and development as a result of the global pandemic of Covid-19.
  - Reduction in the repairs and maintenance cost by 32% during the period
- e) Fund value increased by 18 % from 43.5bn in FY2019\_20 to 51.4bn in the year under review. This is attributed to the increase in investment portfolio, investment income and increase in surplus due to reduction in operational cost.

## **Conclusion**

LAPFUND continues to operate in strict adherence to the Ministry of Health guidelines and protocols to ensure reduced spread. I urge the management and staff to continue promoting the core values especially in the financial year 2021/2022.

**Thank you**



**David Koross**  
**Chief Executive Officer**

## **VII. Corporate Governance Statement**

The Board is charged with ensuring that LAPFUND is managed in a sound manner and delivers members value within an environment of good corporate governance. It's in this view that the Board considers corporate governance as a key to good performance of LAPFUND.

The Board continually reviews various policies and procedures used and the stewardship of LAPFUND's assets and resources with the objective of maintaining and enhancing stakeholder value in the context of LAPFUND's Vision, Mission and Values.

### **The Board of Directors**

The Board comprises 8(eight) non-executive members and a secretary who is also the Chief Executive Officer of LAPFUND. The Board members were appointed on 19<sup>th</sup> December 2018 by the Cabinet Secretary, The National Treasury and Planning.

The Board ensures that proper standards of corporate governance are maintained and have oversight over the management of the LAPFUND, not only through the Board meetings but also through the various Board Committees.

The Board is required to meet at least four times in every financial year to discuss the overall performance of LAPFUND. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairperson having the decisive vote in the event of a tie.

In order to monitor performance, Board Members enters into a Performance Contract every financial year with the government to evaluate its Performance against set targets. The boards individual performance is also evaluated by the State Corporations Advisory Committee

### **The Committees of the Board**

Section 9 of the State Corporations Act (CAP 446) allows the Board of Directors of LAPFUND to establish a number of Board Committees consisting of Board members to deal with specific issues as the Board deems fit. The Board MUST also give notice to the State Corporations Advisory Committee of such committee. The purpose of these working committees is to handle comprehensively technical issues before presentation to the Board for approval. The following committees have been established:

#### **a) Finance and Assets Committee**

The purpose of the Finance and Assets Committee is to determine and advise on all matters relating to finance and assets. The Finance and Assets Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Review of LAPFUND's quarterly financial reports and other matters related to its continued solvency.
- ii. Advise the Board on all aspects of financial responsibility including financial risks, policies, controls and strategies; and review these periodically.
- iii. Recommending policies that maintain and improve the financial health and integrity of the organization.
- iv. Reviewing and recommending a long-range financial plan for the organization.
- v. Reviewing and recommending an annual operating budget and annual capital budget consistent with the long-range financial plan and financial policies.
- vi. Reviewing the financial aspects of major proposed transactions, new programs and services, as well as proposals to discontinue programs or services, and making action recommendations to the board.
- vii. Reviewing and recommending unbudgeted capital and operating expenditures.
- viii. Monitoring the financial performance of LAPFUND as whole and business lines against approved budgets, long-term trends, and industry benchmarks.
- ix. Review quarterly and annual performance contract reports from management
- x. Requiring and monitoring corrective actions to bring the organization into compliance with its budget and other financial targets.
- xi. Review the annual financial statements of LAPFUND and recommend them to the Board for approval.
- xii. Review financial policies and procedures of LAPFUND periodically and align the same to the requirements of the Public Finance Management Act 2012 and the Regulations thereon from time to time.
- xiii. Oversee the maintenance of organization wide assets, including prudent management of organizational investments.
- xiv. Considering significant asset acquisition and disposal and making recommendations to the Board as appropriate.
- xv. Reviewing and monitoring the management and utilization of buildings and grounds
- xvi. Monitoring program status against contractual arrangements.
- xvii. Reviewing and monitoring capital projects and works program of the LAPFUND.
- xviii. Monitoring insurance arrangements for LAPFUND assets.
- xix. Periodically reviewing the arrangements for insurance.

#### **b) Strategy and Investment Committee**

The purpose of the Strategy and Investment Committee is to determine and advise on all matters relating to the strategy and Investment. The Strategy and Investment Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Develop the Investment policy document.
- ii. Review the strategic asset allocation targets for the prudent investment of members contributions and investment incomes.
- iii. Conduct quarterly review of LAPFUND's investment structure and the asset allocations
- iv. Review Investment performance against set performance benchmarks spelt out in the Investment Policy and market performance

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- v. Receive report on selection of Custodial and Investment Management services in line with the Retirement Benefits Act, 1997.
- vi. Monitor and keep under review new projects in which the Fund wishes to engage in.
- vii. Establish appropriate allowable ranges for the asset allocation targets in line with the RBA Regulations.
- viii. Monitoring the performance of investment pools including the performance against benchmarks relative to marked performance.
- ix. Receiving regular reports on changes in the management of investment portfolios.
- x. Review quarterly reports on membership, contributions received and due, and present to the Board for adoption before submission to RBA.

**c) Human Resource and Governance Committee**

The objectives of the Human Resource Committee are to oversee certain management assessment, succession and compensation matters in accordance with these Terms of Reference.

**Terms of Reference**

The primary functions of the Committee are to oversight, review, and recommend appropriate and effective human resource policies, strategies, processes and plans of the organization. Ensuring LAPFUND has an effective organizational structure and competitive human resource and compensation policies and practices. The Human Resource and Governance Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Review and recommend for approval overall employee compensation philosophy and policies, including all bonus plans and other short- and long-term compensation arrangements.
- ii. Review and significant human resource strategies, policies, processes and plans of the Corporation and recommend to the Board for approval.
- iii. Ensuring appropriate processes are in place for the selection, evaluation, compensation, and succession of senior management
- iv. Evaluating and determining compensation for the Chief Executive Officer
- v. Such other related initiatives as may be necessary or desirable to enhance human resource performance
- vi. Review and recommend for approval employee benefit plans, including medical/dental, life and disability benefits.
- vii. Submit to the Full Board for ratification, confirmation and approval, all such matters as the Committee may deem appropriate.
- viii. Review and recommend for approval overall employee compensation philosophy and policies, including all bonus plans and other short- and long-term compensation arrangements.

#### **d) Audit Committee**

The audit committee's roles and responsibility is as set in the Public Finance Management Act, regulation and the guidelines provided thereof and involve the following duties;

- i. Support the CEO in carrying out oversight responsibilities by monitoring and reviewing risk, control, performance and governance processes which have been established;
- ii. To oversee the internal audit function and the external audit and follow-up on the implementation of the recommendation of internal and external auditors;
- iii. Provide additional assurance regarding the quality and reliability of both the financial and operating information;
- iv. Take special interest in audit matters and therefore pay special attention to the work plans and activities of the internal audit function;
- v. Provide a channel of communication between management and the internal and external auditors and positive support of the internal audit function;
- vi. Influence the organizational status of internal audit unit and foster an independent climate for its operation.
- vii. Evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of risks;
- viii. Evaluate and prioritize risks identified by management and ensure that internal audit plans are aligned to the risk profile of the Fund.
- ix. Review the process implemented by Management in respect to risk management, control systems and fraud prevention and ensure that all fraud related incidents have been followed up appropriately;
- x. As part of the on-going monitoring process, the audit committee should review the management letter (or equivalent). The audit committee should review and monitor management's responsiveness to the external auditor's findings and recommendations.
- xi. Obtain feedback about the conduct of the audit from key people involved, for example the head of finance and accounts, and the head of internal audit;
- xii. Review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the LAPFUND's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and
- xiii. Report to the board on the effectiveness of external audit process

#### **Board Induction and Training**

The training programme was executed, which allowed the Board Members to be trained on their roles in assessing and managing risks that LAPFUND might be exposed to. The course also equipped them with risk assessment and management skills which consequently have helped oversee the good operation and performance of LAPFUND.

**Attendance in the Board and Committee meetings**

The Board of Directors was suspended on 23rd September 2019 by a court order JR Case No. 156 of 2019 challenging the legality of their appointment.

The new Board of Directors was appointed on 8<sup>th</sup> October 2021 via gazette Notice No. 10642.

## **VIII. Environmental and Sustainability Reporting**

LAPFUND exists to change lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on four pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Environmental performance**

#### **Purpose**

LAPFUND acknowledges a responsibility to the environment, and we express our commitment towards implementing practices which will promote environmental sustainability. The following policy governs the management of the environmental aspects in our company, with specific focus on the conservation of resources and the reduction of waste.

This policy relates to how all operations in our company are continually reviewed and improved, so that we will truly be able to integrate environmental and social considerations into our everyday practices.

The company consistently strives to raise awareness in the community, encourage participation and train employees in environmental matters. The organization encourages employees to;

- a) Use Reusable Bags. Plastic grocery-type bags that get thrown out end up in landfills or in other parts of the environment. The company gives out reusable bags often
- b) LAPFUND encourages Printing as Little as Necessary.
- c) Recycle. Employees are advised to use a Reusable Beverage Containers.
- d) Employees are encouraged to save Electricity and water as much as possible. They are with notes on the switches to turn off lights that are not in use.

#### **The following are the environmental Principles**

- i. At LAPFUND we Comply with laws governing the environment, and actively look for ways to improve on these guidelines.
- ii. We Work towards the conservation of energy, water and resources in all our operations.
- iii. We Strive to better understand both the direct and indirect impact that our practices may have on the environment.
- iv. We Promote environmental awareness throughout all operations of the company.
- v. Provide training/newsletters/posters to staff on implementing our sustainable policies.
- vi. Dispose of waste thoughtfully, and develop an attitude of "reducing, recycling and reusing."
- vii. We lessen our environmental impact by purchasing environmentally-friendly products and services.

- viii. We Work with our entire supply chain in order to gain mutual benefits of incorporating environmentally sustainable goals into everyday business.
- ix. We Regularly review our business practices, and determine whether each practice is suitable in an environmental context.

LAPFUND has an E-Waste Policy since LAPFUND utilises a wide range of electronic products which results in e-waste. In addition, LAPFUND being one of the leading institutions in Retirement Benefits Administration in Kenya stands with the Government in seeking to mitigate against environmental concerns as articulated in the National Environmental Policy.

The following are the guiding principles of the e-waste policy:

1. Environmental Conservation.  
The Organization endeavours to ensure environmental conservation and protection from the effects of e-waste.
2. Safe Disposal.  
The Organization recognises the need to dispose e-waste in a manner that is safe and sound with respect to its staff, institutional operations, and stakeholders.
3. Public awareness.  
The Organization acknowledges the importance of an informed society in the sustainable management of e-waste.

The success of implementing E-Waste policy is that all electronic wastes are disposed in guidance of the policy that have greatly reduced environmental impact of the organization's products like computers.

## **2. Employee welfare**

LAPFUND is guided by the Human Resources Procedure Manual and Policy Number 1 on Recruitment and Selection Policy in all its hiring process which states that, Recruiting and selecting the right people is of paramount importance to the continued success of LAPFUND. This Recruitment and Selection Policy sets out how to ensure, as far as possible, that the best people are recruited on merit and that the recruitment process is free from bias and discrimination in accordance with the values and principles of Public Service as enshrined in the Constitution.

In particular, the process shall afford equal opportunity for the appointment of men, women, youth, members of all ethnic and religious groups and persons with disabilities. It is the responsibility of each Head of Department/Division to ensure that this policy is carefully followed within their department/division. In all our advertisement for job opportunities we also state clearly that LAPFUND is an equal opportunity employer and encourages all qualified candidates to apply.

We also comply with the gender mainstreaming provision of ensuring that not having more than 2/3 of either gender in the staff establishment. The data is submitted to the National

Gender and Equality Commission every quarter and to the Public Service whenever it is called for. The policies are reviewed from time to time as guided by new practices and regulations or requirements.

In the spirit of promoting continuous improvement, LAPFUND ensures that all employees have opportunity to improve both the technical skills and knowledge while at work. This culture is guided by Training and Development Policy in the Human Resource Policy and Procedure Manual which states that; LAPFUND will have Training and Development programs to support and enhance capacity to achieve its objectives in accordance with the Training and Development policy. Staff shall be responsible for their own professional and career development while LAPFUND shall provide an enabling environment as per LAPFUND career planning and progression policy.

Training Needs are identified by both staff and supervisors. LAPFUND facilitates staff to attend for both in house and External Training and workshops all year round. This process is spearheaded by the Training Committee which comprises of all Heads of Departments.

#### ***Performance Management***

Performance Management Policy Number 3 is in the LAPFUND HR manual and guides the performance management system to implement the staff appraisal and progression. LAPFUND uses the Balance Scorecard and the Performance Contracting Targets to appraise staff and evaluate the performance of both individual and the organization

#### ***Measures Put in Place to Enhance Health & Safety at The Workplace***

LAPFUND, is primarily guided by Policy Number Sixteen: Health, Safety & Environmental Policy Manual. The manual ensures that LAPFUND complies with OSHA guidelines of the workplace so as to achieve the expected standards of a conducive work environment.

LAPFUND, has taken the following measures to ensure health and safety at the workplace:

- i. Appointment of a vibrant Health and Safety Committee whose core mandate is to ensure compliance to all OSHA guidelines
- ii. Registration of LAPFUND offices-All LAPFUND office are registered with the Directorate of Occupational Safety & Health (DOSHS)
- iii. Annual Health and Safety Audits conducted in all LAPFUND offices
- iv. Participation and Involvement of staff in Health and Safety matters through continuous awareness and sensitization activities
- v. Conducting annual work environment surveys
- vi. Engagement of a cleaning company to ensure clean working environment
- vii. Fire Audits and Servicing of fire equipment
- viii. Provision of sanitary utilities
- ix. Prompt repair of fixtures, equipment and furniture

- x. Social distancing at the workplace- Shift working has been adopted to decongest workstations. Staff have been encouraged to fully use technology platforms provided in the offices to interact and communicate with colleagues

### **3. Market place practices**

#### *LAPFUND's efforts to responsible competition practice.*

Responsible Competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalized for the converse

Responsible Competition strategies enhance productivity by shaping business strategies and practices, and the context in which they operate, to take explicit account of their social, economic, and environmental impacts.

LAPFUND operates in a competitive environment with direct and indirect competitors. The organization therefore has an established marketing and communication department who deal with sales of the product and services offered. While carrying out these activities, LAPFUND ensures that all staff and especially those charged with the function of marketing lives one of the core values of being professional in all the undertakings.

LAPFUND practices responsible marketing by delivering value proposition to members. Members are sensitized on the benefit they derive from our product offering in terms of convenience, easy access to information, quick turnaround time on payment process and other riders that benefit members. LAPFUND views competition as an opportunity to improve on areas that does not have a competitive advantage over such as product development and customer service.

In responding to member's queries, and dealings with other stakeholder, LAPFUND adheres to ethical practices, code of conduct, healthy dialogue and ensure that we deliver on the promises made in the service charter. LAPFUND endeavours to be proactive rather than reactive.

#### *Responsible Supply Chain and Suppliers relations*

We do the following in Supply Chain Unit to maintain good business practises and treating suppliers responsibly.

- We ensure that the bid process is open, free and fair
- The procurement process is available to the public
- We adhere to PPDA Act 2015 and Regulations 2020
- All suppliers are paid within 30 days.

#### *Responsible marketing and advertisement-outline efforts to maintain ethical marketing practice.*

LAPFUND is actively present in the market place through marketing teams, social media, print & TV and outdoor advertisement through billboards. These activities are aimed at creating a strong brand proposition in the market. Strong brand equity creates customer loyalty that ensures business sustainability in a competitive environment.

LAPFUND promises quality and timely service delivery through by adhering to the quality statement and resolve service charter that is always available to the public in all

LAPFUND office premises and website ([www.lapfund.or.ke](http://www.lapfund.or.ke)). LAPFUND in selling its products and service to customers does not degrade rival product and create negative impression on competitors. LAPFUND is aware of the homogeneity of the product in the pension industry and strive to compete on packaging and delivery. In advertising LAPFUND brand and product, we ensure that client experiences exactly what is promised in the content.

LAPFUND ensures that the language and tone used in social media marketing reflect professionalism and respect for the consumers of the content. It ensures also that the privacy of the consumer's data is respected.

#### **4. Community Engagements**

Corporate social responsibility forms part of important activities of LAPFUND. The Fund ensures that all its operations are undertaken in a socially and environmentally responsible manner. LAPFUND has extended its hand to different needy groups and impacted positively on society and its environment. The involvement in social responsibilities enhances its values and improves its image to the public.

In line with the Corporate social responsibility Policy, LAPFUND has made CSR as part of its DNA. During the year under review, several social and environmental interventions within communities took place impacting positively on society and its environment.

The organizational CSR work plan for the financial year 2020/2021 listed activities to be undertaken in line with the guiding principle of sustainability and the impact they have on the scheme and society.

In quarter one, LAPFUND, LAPFUND donated PPEs costing Kshs. 2.4m to the Kenya National Union of Nurses, Kenya County Government Workers' Union and hard-hit counties including Mombasa, Kilifi, Kwale and Nairobi. The protective equipment went a long way in supporting the members during the COVID-19 period. There was also distribution of the PPE's to hard hit counties including Mombasa, Kilifi, Kwale and Nairobi



*CSR Chairman Mr. Flevian Kubasu presenting PPE's to unions at LAPFUND head office.*



*Chief Officer Health Kilifi County Dr. Bilal Mazoya receiving the face masks from Coast Regional Co-ordinator Mr. Daniel Ochomo in Kilifi.*

During quarter three, the organization carried out a Corporate Social Responsibility under equality and empowerment of the minority with a focus on care of the orphans and elderly in accordance with the CSR policy.

LAPFUND carried out an activity at Little Sisters of the Poor Tudor, Mombasa County. This involved donation and distribution of branded t-shirts and face masks at a cost of Kshs. 300,000 aimed at curbing the spread of COVID-19 being one of the hard-hit counties in Kenya.



*LAPFUND staff presenting items to elderly at the Little Sisters of the Poor Tudor, Mombasa County on 22<sup>nd</sup> March 2021*

**Local Authorities Provident Fund (LAPFUND)  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

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**VIII. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of LAPFUND's affairs.

**Principal activities**

The principal activities of LAPFUND continues to be to provide a fund for the employees of Local Authorities, now County Government employees, where contributions made each month by the employee and the sponsor and incomes earned from investment activities are credited.

**Results**

The results for the year ended June 30, 2021 are set out on page 1 to 28

**Directors**

The tenure of the Board started on 19<sup>th</sup> December 2018 but were suspended on 23<sup>rd</sup> September 2019 by a court order JR Case No. 156 of 2019 challenging the legality of their appointment. New Board of Directors were appointed on 8<sup>th</sup> October 2021 via gazette Notice No. 10642 and are indicated on page v.

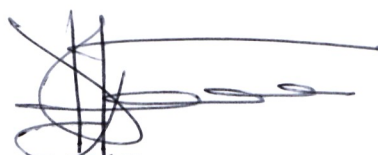
**Dividends/Surplus Remission**

LAPFUND being a Provident Fund, all the surplus is credited to member accounts and hence no remittance to the Consolidated Fund.

**Auditors**

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

By Order of the Board



**David Koross  
Secretary to the Board and Chief Executive Officer**

Date: 27.05.2022

**IX. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act; require the Directors to prepare financial statements, which give a true and fair view of the state of affairs at the end of the financial year and the operating results that year. The Directors are also required to ensure that LAPFUND keeps proper accounting records which discloses with reasonable accuracy the financial position. The Directors are also responsible for safeguarding the assets.

The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on June 30, 2021. 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; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

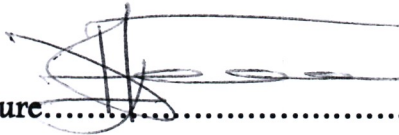
The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the transactions during the financial year ended June 30, 2021, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

**Approval of the financial statements**

The *entity's* financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

Signature.....

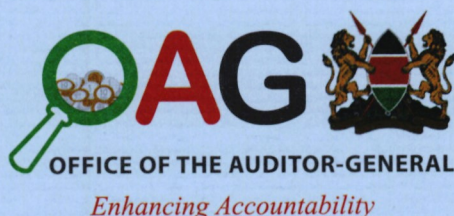
**Name: CS. SELLESTINA KIULUKU, EBS**  
**Chairperson of the Board**

Signature.....

**Name: DAVID KOROSS**  
**Accounting Officer**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Local Authorities Provident Fund set out on pages 1 to 28, which comprise the statement of financial position as at

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*Report of the Auditor-General on Local Authorities Provident Fund for the year ended 30 June, 2021*

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Local Authorities Provident Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with, the Local Authorities Provident Fund Act, 1960 and the Public Finance Management Act, 2012.

### **Basis for opinion**

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

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

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

## **Conclusion**

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

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**31 May, 2022**

**XI. Statement of Financial Performance for the Year ended 30<sup>th</sup> June 2021**

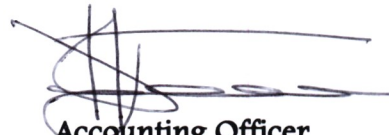
	Notes	2020/2021 Kshs '000'	2019/2020 Kshs '000'
<b>Revenue from non-exchange transactions</b>			
Revenue attributable to members	6	10,993,297	11,220,312
<b>Revenue from exchange transactions</b>			
Finance income - external investments	7	1,241,742	1,076,364
Other income	8	10,086	39,593
<b>Total Revenue</b>		<b>12,245,125</b>	<b>12,336,269</b>
<b>Expenses</b>			
Employee costs	10	389,864	351,737
Remuneration of Board members	11	-	10,971
Contracted services	12	18,876	32,199
Expenses on operations relating to Core Mandate	13	327,248	324,992
Administrative Expenses	14	145,932	205,194
Repairs and maintenance	15	5,873	8,646
<b>Total expenses</b>		<b>887,793</b>	<b>933,739</b>
Depreciation, amortization and provision costs	16	4,916,959	3,563,888
<b>Total depreciation, amortization and provision costs</b>		<b>4,916,959</b>	<b>3,563,888</b>
Unrealized gain on fair value of investments	9	599,455	(270,340)
<b>Total other gains/(loses)</b>		<b>599,455</b>	<b>(270,340)</b>
Administrative recharges	19	887,793	933,739
<b>Surplus</b>		<b>7,927,620</b>	<b>8,502,041</b>

The notes set out on pages 6 to 25 form an integral part of the Financial Statements.



**Chairperson of the Board**  
Name: CS. SELLESTINA KIULUKU, EBS

Date: 27.05.2022




**Accounting Officer**  
Name: MR. DAVID KOROSS

Date: 27.05.2022


**XII. Statement of Financial Position as at 30<sup>th</sup> June 2021**

	Notes	2020/2021 Kshs '000'	2019/2020 Kshs '000'
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	108,331	151,633
Receivables from exchange transactions	18	1,378,349	1,041,101
Receivables from non-exchange transactions	19	713,995	748,092
Current Investments	23	5,947,435	6,261,000
		<b>8,148,110</b>	<b>8,201,826</b>
<b>Non-current assets</b>			
Motor Vehicles, Plant & Equipment	20	32,068	36,647
Intangible assets	21	23,095	19,614
Non-current investments	23	26,087,697	22,028,432
Long term receivables from non-exchange transactions	19	1,497,655	1,425,347
Long term receivables from exchange transactions	18	15,851,016	11,972,660
		<b>43,491,531</b>	<b>35,482,699</b>
		<b>51,639,641</b>	<b>43,684,524</b>
<b>Total assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	22	205,938	178,442
		<b>205,938</b>	<b>178,442</b>
<b>Total Liabilities</b>			
		<b>51,433,703</b>	<b>43,506,082</b>
<b>Net Assets</b>			
		<b>51,433,703</b>	<b>43,506,082</b>
Reserves		57,550	57,550
Accumulated surplus		51,376,153	43,448,533
		<b>51,433,703</b>	<b>43,506,083</b>
		<b>51,639,641</b>	<b>43,684,525</b>
<b>Total Net Assets and Liabilities</b>			

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:

  
Chairperson of the Board  
Name: CS. SELLESTINA KIULUKU, EBS

Date: 27.05.2022

  
Accounting Officer  
Name: MR. DAVID KOROSS

Date: 27.05.2022

**XIII. Statement of Changes in Net Assets for the Year Ended 30 June 2021**

Attributable to members of LAPFUND	Reserve fund <u>Kshs '000'</u>	Capital revaluation reserve <u>Kshs '000'</u>	Accumulated surplus <u>Kshs '000'</u>	Total <u>Kshs '000'</u>
Balance as at 30 June 2019	57,550	-	34,946,492	35,004,042
Surplus/(deficit) for the period			8,502,041	8,502,041
Transfers to accumulated surplus				-
<b>Balance as at 30 June 2020</b>	<b>57,550</b>	<b>-</b>	<b>43,448,533</b>	<b>43,506,083</b>
Surplus for the period			7,927,620	7,927,620
Transfers to accumulated surplus				-
<b>Balance as at 30 June 2021</b>	<b>57,550</b>	<b>-</b>	<b>51,376,153</b>	<b>51,433,703</b>

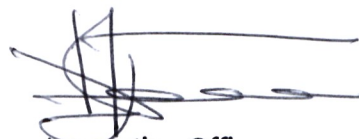
**XIV. Statement of Cash Flows for the Year Ended 30th June 2021**

	Notes	2020/2021 Kshs '000'	2019/2020 Kshs '000'
<b>Cash flows from Operating Activities:</b>			
Operating Surplus / Net Income		7,927,620	8,502,041
Add back depreciation	16	34,808	24,929
<b>Less: Non-cash items</b>			
-Change in fair value of motor vehicle	20	-	(27,862)
-Change in fair value of property investments	9	-	-
-Change in fair value of government bonds	9	72,662	11,384
-Change in fair value of quoted equities	9	(672,116)	258,956
Increase (Decrease) in receivables from exchange transactions	18	(4,215,605)	(5,053,687)
Increase (Decrease) in receivables from non-exchange transactions	19	(38,211)	(158,160)
Decrease (Increase) in payables	22	27,496	89,460
<b>Net cash from operating activities</b>		<b>3,136,654</b>	<b>3,647,062</b>
<b>Cash flows from Investing Activities:</b>			
<b>Purchase of Non - Current Assets</b>			
Motor Vehicles	20	-	-
Computer and Equipment	20	(12,075)	(1,925)
Furniture and Fittings	20	(286)	(1,106)
Intangible assets - software	21	(21,349)	(30,806)
<b>Purchase/Disposal of Investments</b>			
Property	23	(1,274,931)	(489,039)
Government Bonds	23	(1,982,698)	(1,738,866)
Treasury Bills	23	870,078	(728,755)
Fixed deposits	23	(457,675)	(603,060)
Corporate bonds and commercial paper	23	121,783	448,961
Quoted shares	23	(422,803)	(482,234)
<b>Net Cash generated from (Used in) Investing</b>		<b>(3,179,955)</b>	<b>(3,626,829)</b>
<b>Increase (Decrease) in Cash &amp; Cash Equivalents</b>		<b>(43,302)</b>	<b>20,233</b>
<b>Cash &amp; Cash Equivalents at Beginning of Year</b>		<b>151,633</b>	<b>131,400</b>
<b>Cash &amp; Cash Equivalents at End of Year</b>		<b>108,331</b>	<b>151,633</b>



Chairperson of the Board  
Name: CS. SELLESTINA KIULUKU, EBS

Date: 27.05.2022



Accounting Officer  
Name: MR. DAVID KOROSS

Date: 27.05.2022

**XV. Statement of Comparison of Budget and Actual Amounts for the year ended 30<sup>th</sup> June 2021**

	Original budget Kshs '000'	Adjustments Kshs '000'	Final budget Kshs '000'	Actual on comparable basis Kshs '000'	Performance difference Kshs '000'	% of utilization Kshs '000'	Variance Explanation
<b>Income</b>							
Revenue attributable to members	4,057,723	-	4,057,723	3,008,547	1,049,176	74%	1
Investment Income	1,283,127	-	1,283,127	1,241,742	41,386	97%	2
Change in fair value of assets	-	-	-	599,455	(599,455)		3
Other incomes	7,312	-	7,312	10,086	(2,774)	138%	4
<b>Total Income</b>	<b>5,348,163</b>	<b>-</b>	<b>5,348,163</b>	<b>4,859,829</b>	<b>488,334</b>	<b>91%</b>	
<b>Expenses</b>							
Employee costs	380,048	-	380,048	389,864	(9,816)	103%	5
Remuneration of Board members	43,133	-	43,133	-	43,133	0%	6
Contracted services	41,519	-	41,519	18,876	22,642	45%	7
Expenses on operations relating to Core Mandate	276,651	-	276,651	327,248	(50,597)	118%	8
Administrative Expenses	277,260	-	277,260	145,932	131,328	53%	9
Repairs and maintenance	7,660	-	7,660	5,873	1,787	77%	10
<b>Total expenses</b>	<b>1,026,271</b>	<b>-</b>	<b>1,026,271</b>	<b>887,793</b>	<b>138,478</b>	<b>87%</b>	
<b>Surplus for the period</b>	<b>4,321,892</b>	<b>-</b>	<b>4,321,892</b>	<b>3,972,036</b>	<b>349,856</b>	<b>92%</b>	



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1	<p>a). Slow uptake of the new products namely diaspora and voluntary than anticipated</p> <p>b). Increase in value of benefits paid to members as a result of accumulated interest than anticipated c). Interest Charged is not factored in the budget comparison since we don't budget for penalties</p>
2	<p>Investment income was below the budget by 3% due to:</p> <p>a). The emergence of the Covid-19 global pandemic that negatively affected the performance of securities in the Nairobi Securities Exchange than anticipated</p> <p>b). Temporary closure of Golfview Serviced Apartments for refurbishment resulting to a halt in operations during the period.</p>
3	Change in fair value of assets has declined due to the poor performance of equities listed in the Nairobi Securities Exchange
4	Other income has increased by over 100% due to increase in interest income from the loans advanced to staff.
6	Board costs was below the budget by 100% due to the court case challenging the legality of Board appointment. This has put to a halt the board activities scheduled during the year
7	The variance of 55% on contracted services was due to legal fees on court case regarding the enactment of the County Government Retirement Act (CGRS). This was not anticipated during the budget process.
8	Expenses relating to the core mandate were above the budget by 18% due increase marketing and recruitment activities in the last quarter of the year as a result of outbreak of COVID-19
9	Administrative expenses during the year under review was below the budget by 47% due to a halt in employee training and development as a result of the global pandemic of COVID-19.
10	Repairs and maintenance was below the budget by 23% due to minimal repairs during the period than anticipated

**XVI. Notes to the financial statements for the year ended 30<sup>th</sup> June 2021**

**1. General information**

Local Authorities Provident Fund (LAPFUND) is established and derives its authority and accountability from the laws of Kenya, The Local Authorities Provident Fund Act, CAP 272, of 5<sup>th</sup> of July 1960. LAPFUND is wholly owned by the Government of Kenya and is domiciled in Kenya.

The principal activities of LAPFUND as stipulated in CAP 272 is to establish a provident fund for certain employees of Local Authorities; to provide for contributions to the fund by such employees and authorities, and for the administration of the fund by a Local Authorities Provident Fund Board; and for matters incidental thereto and connected therewith.

The Act provides for the establishment of the Fund. The Fund shall be credited with:

- a. assets transferred from other Funds
- b. Amounts contributed each month by contributors and Sponsors
- c. Dividends, interest and other incomes accruing from investments of the Fund
- d. Sums contributed by Local Authorities (Sponsors) towards the expenses of management and administration of the Fund
- e. Such other moneys as may from time to time be received by the Board

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying LAPFUND's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the LAPFUND.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Retirement Benefits Authority Act and Occupational Schemes Regulations and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. Adoption of new and revised standards**

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

**Standard  
Other  
Improvements to  
IPSAS**

**Impact**

**Applicable: 1<sup>st</sup> January 2021**

- a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.
- b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.
- c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.
- d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

*The Standard has no impact it does not affect the operations of LAFUND.*

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

**IPSAS 41:  
Financial  
Instruments**

**Applicable: 1<sup>st</sup> January 2023**

The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

*The Standard has no impact it does not affect the operations of LAPFUND.*

**IPSAS 42:**

Social Benefits

**Applicable: 1st January 2023**

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:

- a) The nature of such social benefits provided by the entity;
- b) The key features of the operation of those social benefit schemes; and
- c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

*The Standard has no impact it does not affect the operations of LAPFUND.*

Amendments to  
Other IPSAS  
resulting from IPSAS  
41, Financial  
Instruments

- a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

**iii. Early adoption of standards**

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

**4. Summary of significant accounting policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions – IPSAS 23**

### **Member Contributions and fines**

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

### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to LAPFUND and can be measured reliably

## **ii) Revenue from exchange transactions – IPSAS 9**

### **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.

### **Rental income**

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

## **iii) Benefit Payable.**

Benefits payable are accounted for in the period in which they fall due.

## **b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of LAPFUND. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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

**c) Taxes – IAS 12**

LAPFUND is a registered Retirement Benefit Scheme and is exempt from income tax

**d) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

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

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

**e) Property, plant and equipment – IPSAS 17**

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, LAPFUND 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 repairs and maintenance are charged to the statement of changes in net assets during the financial period in which they are 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.

Land is not depreciated. Depreciation on other property, plant and equipment is recognized so as to write off the cost of assets less their residual values over their useful life using the straight-line method.

**f) Intangible assets – IPSAS 31**

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

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

**g) Financial instruments – IPSAS 29**

**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. LAPFUND 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 LAPFUND has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

*Impairment of financial assets*

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

- i. The debtors or an entity of debtors are experiencing significant financial difficulty
- ii. Default or delinquency in interest or principal payments
- iii. The probability that debtors will enter bankruptcy or other financial reorganization

- iv. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***Amortized Costs***

LAPFUND has been amortizing the interest of the outstanding debt of the sponsors. Considering the current situation, this is not prudent since most counties have not been paying the debt especially the ones for the defunct Local Authorities. LAPFUND is retrospectively changing this policy by writing off all the interests through impairment.

***h) Provisions – IPSAS 19***

Provisions are recognized when LAPFUND 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 LAPFUND 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.

***i) Contingent liabilities***

LAPFUND 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.

***j) Contingent assets***

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

***k) Nature and purpose of reserves***

The reserve fund is established to take into account any potential future diminution in value of assets. It is also used for the transfer of interest to members, where the amount credited to members' balances exceeds the surplus for the year.

***Reserves***

LAPFUND has reserve fund which was established to take into account any potential future diminution in value of assets and also used for transfer of interests to members in case member's balances exceeds the surplus for the year. LAPFUND has found it prudent

to transfer these reserves to accumulated surplus which LAPFUND has recognized as retrospective change of accounting policies.

**l) Changes in accounting policies and estimates – IPSAS 3**

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

**m) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions – IPSAS 4**

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

**o) Related parties Transactions – IPSAS 20**

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

**n) Service concession arrangements – IPSAS 32**

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

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

**o) 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 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 advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**5. Significant judgments and sources of estimation uncertainty**

The preparation of LAPFUND'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. The judgements, estimates and assumptions made include;

**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. LAPFUND 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 LAPFUND. 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 LAPFUND
- 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 10. 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.

LAPFUND makes provision for;

**i) Depreciation**

This is provided for on a straight-line method over two years as per the RBA act

**ii) Bad & Doubtful Debts**

When due contributions are not remitted by 15<sup>th</sup> of the following month, a 3% compounded interest is charged. The management makes a provision for all the interest charged and still outstanding at the end of the financial year

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	<b>2020/2021</b> <b>Kshs '000'</b>	<b>2019/2020</b> <b>Kshs '000'</b>
<b>6 Revenue attributable to members</b>		
Normal contributions	4,791,286	7,224,821
Gratuity contributions	775,896	-
Voluntary contributions	516,180	63,481
LAPFUND Staff Contribution	74,502	67,746
Diaspora Contributions	-	88
Amal Contributions	66,939	62,188
Accrued Contributions	908,135	
<b>Total Revenue Attributable to Members</b>	<b>7,132,938</b>	<b>7,418,323</b>
<b>Less: Benefits to members</b>		
Retirement Benefits	3,668,770	3,353,395
Death Benefits	351,778	162,100
Insured Benefits	98,807	111,227
Amal Benefits	-	-
	650	
Transfers	4,388	155
<b>Total Benefits to members</b>	<b>4,124,392</b>	<b>3,626,876</b>
Levies on outstanding contributions	7,984,750	7,428,865
<b>Revenue attributable to members</b>	<b>10,993,297</b>	<b>11,220,312</b>
<b>7 Finance income - external investments</b>		
<b>Fixed income</b>		
Government Bonds	965,513	763,500
Treasury Bills	46,767	64,665
Interest on deposits	91,481	61,631
Corporate bonds	9,216	48,306
Commercial paper	-	-
	<b>1,112,977</b>	<b>938,101</b>
<b>Dividend income</b>		
Investments in quoted equities	95,007	131,171
	<b>95,007</b>	<b>131,171</b>
<b>Gain on sale of investments</b>		
Gain on sale of treasury bonds	-	-
(Loss)/Gain on sale of quoted shares	2,231	(4,573)
	<b>2,231</b>	<b>(4,573)</b>
<b>Property Income</b>		
Rentals	23,778	2,427
Hospitality	-	-
Real Estate	750	2,189
Land banking	6,998	7,048
	<b>31,526</b>	<b>11,665</b>
<b>Total finance income – external investments</b>	<b>1,241,742</b>	<b>1,076,364</b>
<b>8 Other income</b>		
Car Loan Interest	925	1,009
Mortgage Loan Interest	9,035	6,758
Disposal of Assets Income	-	3,828
Other misc. incomes	126	27,999
<b>Total other income</b>	<b>10,086</b>	<b>39,593</b>
<b>9 Unrealized gain/(loss) on fair value of investments</b>		
Property investments	-	-
Government bonds investments	(72,662)	(11,384)
Quoted shares investments	672,116	(258,956)
<b>Net unrealized gain/loss</b>	<b>599,455</b>	<b>(270,340)</b>

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	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>10 Employee costs</b>		
Salaries and wages	229,761	208,754
Contributions to pensions	41,713	37,948
Contributions to medical aids	30,378	30,787
Commuter, subsistence and other allowances	43,633	36,580
Gratuity	6,361	-
Housing allowances	38,019	37,669
<b>Total employee costs</b>	<b><u>389,864</u></b>	<b><u>351,737</u></b>
<b>11 Remuneration of board members</b>		
Chairman allowances	-	255
Meeting costs	-	2,287
Medical aid contributions	-	1,738
Travel, conferences and other costs	-	6,690
<b>Total board members' remuneration</b>	<b><u>-</u></b>	<b><u>10,971</u></b>
<b>12 Contracted services</b>		
Legal Fees	8,517	31,866
Performance contracting costs	10,359	333
<b>Total contracted services</b>	<b><u>18,876</u></b>	<b><u>32,199</u></b>

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	2020/2021	2019/2020
<b>13 Expenses on operations relating to Core Mandate</b>		
Members costs	103,298	88,122
Strategy and business devt costs	10,922	21,401
Corporate and Public Relations	27,685	42,114
Investment management fees	32,797	25,745
Custodial fees	16,902	13,790
Debt management fees	81,879	77,175
Statutory costs	5,850	5,850
Property & Finance Costs	43,332	42,670
Procurement costs	4,583	8,125
<b>Total expenses on operations relating to Core Mandate</b>	<b>327,248</b>	<b>324,992</b>
<b>14 Administrative Expenses</b>		
Office operating expenses	92,964	67,057
HR & employee development	23,384	107,301
ICT costs	24,887	29,227
Audit, risk and compliance	3,683	20
Finance charges	1,015	1,589
<b>Total administrative expenses</b>	<b>145,932</b>	<b>205,194</b>
<b>15 Repairs and maintenance</b>		
Computers & network maintenance costs	2,794	871
Motor Vehicles	2,245	1,890
Office maintenance	834	5,886
<b>Total repairs and maintenance</b>	<b>5,873</b>	<b>8,646</b>
<b>16 Depreciation, amortization and provision costs</b>		
Plant and equipment	16,940	10,425
Intangible assets	17,868	14,504
<b>Total depreciation</b>	<b>34,808</b>	<b>24,929</b>
Administrative recharges amortized	889,776	827,696
Provision for doubtful debts	3,992,375	2,711,263
<b>Total amortization costs and provisions</b>	<b>4,882,152</b>	<b>3,538,958</b>
<b>Total depreciation, amortization and provisions</b>	<b>4,916,959</b>	<b>3,563,888</b>

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		2020/2021	2019/2020
		<u>Kshs '000'</u>	<u>Kshs '000'</u>
<b>17 Cash and cash equivalents</b>			
	Cash in Bank	107,307	150,160
	Cash-on-hand	428	376
	Cash on transit	597	1,097
	<b>Total cash and cash equivalents</b>	<b><u>108,331</u></b>	<b><u>151,633</u></b>
<b>17(a) Cash and cash equivalents</b>			
<b>a) Bank Accounts</b>	<b>Account Number</b>		
	Co operative Bank Operation	7,980	16,974
	KCB Operation Account	86,577	70,759
	NCBA - Golf View Operations	591	827
	Co op Bank Collection	9,526	2,253
	KCB Collection	1,575	45,097
	NBK - Collection	2	11,955
	NCBA - Golf View Collection ksh	269	274
	NCBA - Golf View Collection Usd	25	1,927
	AMAL Collection - Gulf Bank	617	59
	AMAL Collection -KCB Sahl	145	35
	<b>Sub- Total</b>	<b><u>107,307</u></b>	<b><u>150,160</u></b>
<b>b) Cash-on-hand</b>			
	Petty Cash Nairobi	200	95
	Petty Cash Kisumu	2	27
	Petty Cash Mombasa	60	31
	Petty Cash Nyeri	18	19
	Petty Cash Nakuru	33	45
	Petty Cash Wajir	-	10
	Petty Cash Mandera	-	14
	Petty Cash Isiolo	30	51
	Petty Cash Garissa	20	20
	Petty Cash CEO's Office	50	50
	Pettycash Mavoko	15	14
	Petty Cash Golf View	-	-
	<b>Sub- Total</b>	<b><u>428</u></b>	<b><u>376</u></b>
<b>c) Cash on transit</b>			
	Golfview Mpesa Pay bill	597	597
	Funds Transfers	-	500
	<b>Sub- Total</b>	<b><u>597</u></b>	<b><u>1,097</u></b>
<b>Total cash and cash equivalents</b>		<b><u>108,331</u></b>	<b><u>151,632</u></b>

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	2020/2021 Kshs '000'	2019/2020 Kshs '000'
<b>18 Receivables from exchange transactions</b>		
<b>Current receivables</b>		
Contributions due	1,378,349	1,041,101
<b>Total current receivables</b>	<b>1,378,349</b>	<b>1,041,101</b>
<b>Non-current receivables</b>		
Contributions due	34,035,229	25,827,249
Less: impairment allowance	(16,805,863)	(12,813,488)
	<b>17,229,365</b>	<b>13,013,761</b>
Current portion transferred to current receivables	(1,378,349)	(1,041,101)
<b>Total non-current receivables</b>	<b>15,851,016</b>	<b>11,972,660</b>
<b>Total receivables</b>	<b>17,229,365</b>	<b>13,013,761</b>
<b>19 Receivables from non-exchange contracts</b>		
<b>Current receivables</b>		
Administrative re-charges due	887,793	933,739
Less: impairment allowance	(177,559)	(186,748)
<b>Total current receivables</b>	<b>710,234</b>	<b>746,991</b>
Other debtors	3,761	1,101
<b>Total current receivables</b>	<b>713,995</b>	<b>748,092</b>
<b>Non-current receivables</b>		
Administrative re-charges due	7,200,154	6,312,361
Less: impairment allowance	(5,326,764)	(4,436,988)
	<b>1,873,389</b>	<b>1,875,373</b>
Current portion transferred to current receivables	(710,234)	(746,991)
<b>Total non-current receivables</b>	<b>1,163,155</b>	<b>1,128,382</b>
Staff loans	334,500	296,965
<b>Total non-current receivables</b>	<b>1,497,655</b>	<b>1,425,347</b>
<b>Total receivables</b>	<b>2,211,650</b>	<b>2,173,439</b>

Administrative expense receivable relates to outstanding recharges of administrative expenses to be recovered from Local Authorities in line with Section 4(4) of Local Authorities Fund Act, however, due to the doubtful nature of recoverability of the same, the Board approved a 20% provision on a straight-line basis

Staff debtors relate to the staff (Car and Mortgage) loan scheme set up by the board for the benefit of the employees.

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**20 Property, plant and equipment**

	<b>Motor Vehicle</b>	<b>Computer and Equipment</b>	<b>Furniture Fixtures &amp; Fittings</b>	<b>Total</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>Cost</b>				
At 1 July 2019	75,227	136,471	217,174	<b>428,872</b>
Additions/Revaluation	27,862	1,925	1,106	<b>30,892</b>
Disposals	-	-	-	-
Reversal of Cost on Revalued Assets	(75,227)	-	-	<b>(75,227)</b>
<b>At 30 June 2020</b>	<b>27,862</b>	<b>138,396</b>	<b>218,280</b>	<b>384,538</b>
Additions/Revaluation	-	12,075	286	<b>12,361</b>
Disposals	-	-	-	-
<b>At 30 June 2021</b>	<b>27,862</b>	<b>150,471</b>	<b>218,566</b>	<b>396,899</b>
<b>Depreciation and impairment</b>				
At 1 July 2019	74,473	127,287	210,932	<b>412,692</b>
Depreciation	754	5,410	4,261	<b>10,425</b>
Disposals	-	-	-	-
Reversal of Accumm. Dep on Revalued	(75,227)	-	-	<b>(75,227)</b>
<b>At 30 June 2020</b>	<b>-</b>	<b>132,697</b>	<b>215,194</b>	<b>347,891</b>
Depreciation	6,966	7,278	2,697	<b>16,940</b>
Disposals	-	-	-	-
<b>At 30 June 2021</b>	<b>6,966</b>	<b>139,975</b>	<b>217,890</b>	<b>364,831</b>
<b>Net book values</b>				
<b>At 30 June 2021</b>	<b>20,897</b>	<b>10,496</b>	<b>676</b>	<b>32,068</b>
<b>At 30 June 2020</b>	<b>27,862</b>	<b>5,699</b>	<b>3,086</b>	<b>36,647</b>

**21 Intangible assets - software**

<b>Cost</b>	
At 1 July 2019	30,245
Additions/Revaluation	30,806
<b>At 30 June 2020</b>	<b>61,051</b>
Additions/Revaluation	21,349
<b>At 30 June 2021</b>	<b>82,400</b>
<b>Amortization and impairment</b>	
At 1 July 2019	26,933
Amortization	14,504
<b>At 30 June 2020</b>	<b>41,437</b>
Amortization	17,868
<b>At 30 June 2021</b>	<b>59,305</b>
<b>Net book values</b>	
<b>At 30 June 2021</b>	<b>23,095</b>
<b>At 30 June 2020</b>	<b>19,614</b>

Depreciation is provided for at a straight-line method at the following rates:

- Motor Vehicles	25%	- Computers	33.33%
- Office Equipment and Furniture	33.33%	- Fixture and Fittings	33.33%

Assets purchased in the first half of Financial Year are charged full year depreciation while Asset purchased in second half of Financial Year are depreciated in the subsequent Financial Year.

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	<b>2020/2021</b>	<b>2019/2020</b>
	<b><u>Kshs '000'</u></b>	<b><u>Kshs '000'</u></b>
<b>22 Trade and other payables from exchange transactions</b>		
Trade payables	31,772	85,136
Benefits payable	59,412	52,473
Other payables	114,753	40,833
<b>Total trade and other payables</b>	<b><u>205,938</u></b>	<b><u>178,442</u></b>

Benefits payable to members relates to claims received on or before balance sheet date whose payment was pending at the same date

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23 Investments

	Property Kshs '000'	Government Bonds Kshs '000'	Treasury Bills Kshs '000'	Fixed deposits Kshs '000'	Corporate and commercial paper		Quoted shares Kshs '000'	Unquoted shares Kshs '000'	Total Kshs '000'
					Kshs '000'	Kshs '000'			
<b>Fair value</b>									
At 1 July 2019	15,280,950	5,378,539	520,896	880,453	585,744		2,308,476	11,720	24,966,779
Additions	489,039	2,600,556	1,331,051	10,008,087	98,870		552,657	-	15,080,259
Maturity/Disposals	-	(861,690)	(602,295)	(9,405,026)	(547,831)		(70,423)	-	(11,487,266)
Change in fair value	-	(11,384)	-	-	-		(258,956)	-	(270,340)
<b>At 30 June 2020</b>	<b>15,769,989</b>	<b>7,106,020</b>	<b>1,249,652</b>	<b>1,483,514</b>	<b>136,783</b>		<b>2,531,754</b>	<b>11,720</b>	<b>28,289,432</b>
<b>Total investments</b>	<b>-</b>	<b>935,765</b>	<b>1,249,652</b>	<b>1,483,514</b>	<b>60,315</b>		<b>2,531,754</b>	<b>-</b>	<b>6,261,000</b>
<b>Total non-current investments</b>	<b>15,769,989</b>	<b>6,170,255</b>	<b>-</b>	<b>-</b>	<b>76,468</b>		<b>-</b>	<b>11,720</b>	<b>22,028,432</b>
Additions	1,274,931	4,234,242	376,779	15,432,566	-		499,611	-	21,818,129
Maturity/Disposals	-	(2,251,544)	(1,246,856)	(14,974,892)	(121,783)		(79,040)	-	(18,674,116)
Change in fair value	-	(72,662)	-	-	-		674,347	-	601,686
<b>At 30 June 2021</b>	<b>17,044,920</b>	<b>9,016,057</b>	<b>379,574</b>	<b>1,941,188</b>	<b>15,000</b>		<b>3,626,673</b>	<b>11,720</b>	<b>32,035,132</b>
<b>Total investments</b>	<b>-</b>	<b>379,574</b>	<b>1,941,188</b>	<b>-</b>	<b>-</b>		<b>3,626,673</b>	<b>-</b>	<b>5,947,435</b>
<b>Total non-current investments</b>	<b>17,044,920</b>	<b>9,016,057</b>	<b>-</b>	<b>-</b>	<b>15,000</b>		<b>-</b>	<b>11,720</b>	<b>26,087,697</b>

Property investment includes an amount of Kshs. 1,295,003,027.09 which comprises of development of Shopping Centre, Nursery school and 131 units Maisonettes (LAPFUND Gardens) in Mavoko Sub-County, Machakos County which are on sale. The amount is net of costs, deposits and fully sold units.

#### **24. Employee Benefit Obligations**

LAPFUND operates a defined contribution scheme for all full-time employees. We operate a defined contributions scheme for all full-time employees. The employee contributes 12% and employer 15% of the monthly gross salary. At the time of retirement, the employee is refunded the total contributions plus the interest earned less tax.

LAPFUND also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. LAPFUND's obligation under this scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

#### **25. Financial risk management**

LAPFUND's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. LAPFUND'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.

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

##### **i) Credit Risk**

LAPFUND 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 counterparty, 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 LAPFUND's management based on prior experience and their assessment of the current economic environment.

##### **ii) Liquidity risk management**

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

##### **iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by LAPFUND on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect LAPFUND's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit Committee.

LAPFUND's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the LAPFUND's exposure to market risks or the manner in which it manages and measures the risk.

**iv) Foreign currency risk**

LAPFUND has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. At the end of the period, LAPFUND did not have any carrying amount of foreign currency denominated in monetary assets and monetary liabilities.

**v) Interest rate risk**

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

**vi) Capital Risk Management**

The objective of LAPFUND's capital risk management is to safeguard the Local Authorities Provident Fund Board's ability to continue as a going concern.

**26. Related Party Disclosures**

LAPFUND regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence, or vice versa. During the year, LAPFUND had several transactions with related parties.

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	<b>Loans due from related parties</b>	<b>Ksh '000'</b>
	Loans advanced to management	103,000
<b>i</b>	Loans to management carry 3% interest. Difference between interest charged by LAPFUND and the statutory rate as per Sec 27(1) b of Income Act of 2004 is compensated by taxed loan benefit received. The loans advanced to management are recovered through their salaries.	
<b>ii</b>	Remuneration to management	127,515
	<b>Contributions due from County Governments, Water companies and other companies</b>	
<b>iii</b>	County Governments & Assemblies	24,314,522
	Water Companies	1,138,857
	Other Companies	127,169
	<b>Total</b>	<b>25,580,548</b>
<b>iv</b>	Remuneration to Board members	-
	<b>Receipts from related parties</b>	
<b>v</b>	County Governments, County Assemblies, Water companies and other companies	6,229,032
	Staff repayment loans	11,674
	<b>Total</b>	<b>6,240,706</b>

## **27. Events After the Reporting Period**

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

## **28. Ultimate and Holding Entity**

LAPFUND is a State Corporation/or a Semi- Autonomous Government Agency under the Ministry of National Treasury and Planning. Its ultimate parent is the Government of Kenya.

## **29. Currency**

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




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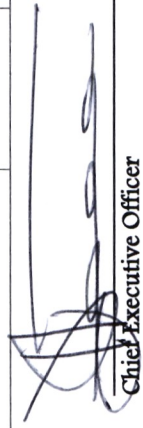
**XVII. Progress on Follow up of Auditor Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external Audit Report	Issue / Observations from Auditor	Management Comments	Status (Resolved/ Not Resolved)	Timeframe:
1.1 Unrecovered Rent- Mariakani Estate Nairobi	The Local Authorities Provident Fund continued collecting rent from the tenants of Mariakani Estate-Nairobi during the year. As previously reported, the County Government of Nairobi had collected rent amounting to Kshs.64,800,000 which was yet to be forwarded to the Fund. Whereas Management continues to follow up to recover the money from Nairobi County Government, full provision for bad and doubtful debts for the full amount has been made in the books of the Fund.	The pending court cases have been resolved and LAPFUND has full access to the estate. An agent has been engaged whose mandate is to collect rent on monthly basis, collect rent arrears and determine the exact amount that has been paid to Nairobi so that LAPFUND can institute measures to collect the rent collected by Nairobi County Government.	Resolved	30 <sup>th</sup> June 2022
1.2 Unrecovered Rent- Makasembo Estate Kisumu	The National Housing Corporation (NHC) continued, collecting rent from tenants of Makasembo Estate-Kisumu, a property owned by the Fund. The court case concerning this state of affairs was yet to be concluded by 30 June, 2020. During the year under review, NHC collected rent estimated at Kshs.1,452,000 but did not remit to LAPFUND. This now brings the total rent receivable from the property since the time of its transfer by the defunct Kisumu Municipal Council to the Fund to approximately Kshs.13,431,000 as at 30 June, 2020. Available information indicate that the defunct Kisumu Municipal Council failed to service the undetermined debt arising from the construction of the Estate by NHC and thus the reason for NHC moving in to collect rent to recover the amount owed.	The County Government of Kisumu entered into an MOU with the National Housing Corporation to settle the outstanding debt of Construction and the property was officially handed over to LAPFUND in November 2020. The houses in the property were demolished in a proper decanting process in readiness of developing modern houses. LAPFUND will continue to pursue for the Rent Collected by the National Housing Corporation from the County Government of Kisumu.	Resolved	30 <sup>th</sup> June 2022

  
Board Chairperson

Date.....27.05.2022

  
Chief Executive Officer

Date.....27.05.2022