

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID		DAY. WED
DATE:	18 MAY 2019	
TABLED BY:	The Majority Whip Hon. Benjamin Wachihi	
CLERK-AT-THE-TABLE:	M. Mado.	

REPORT

OF

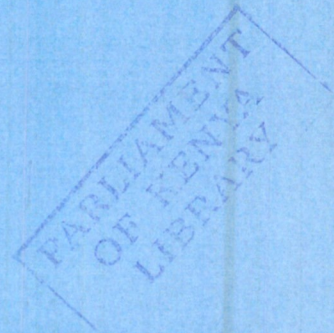
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
CIVIL SERVANTS HOUSING SCHEME FUND

FOR THE YEAR ENDED  
30 JUNE 2018

STATE DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT





---

**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING AND URBAN  
DEVELOPMENT**

**(CIVIL SERVANTS HOUSING SCHEME FUND)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2018**

---

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

**TABLE OF CONTENTS**

KEY ENTITY INFORMATION AND MANAGEMENT .....	2
SCHEME MANAGEMENT COMMITTEE .....	3
CABINET SECRETARY'S STATEMENT .....	10
REPORT OF THE PRINCIPAL SECRETARY .....	10
REPORT OF THE SCHEME COMMITTEE.....	14
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	15
REPORT OF THE INDEPENDENT AUDITORS .....	16
STATEMENT OF FINANCIAL PERFORMANCE.....	17
STATEMENT OF FINANCIAL POSITION.....	18
STATEMENT OF CHANGES IN NET ASSETS.....	20
STATEMENT OF CASHFLOW .....	21
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018 .....	23
NOTES TO THE FINANCIAL STATEMENT .....	25
INTER-ENTITY TRANSFERS .....	43
RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	44

## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

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

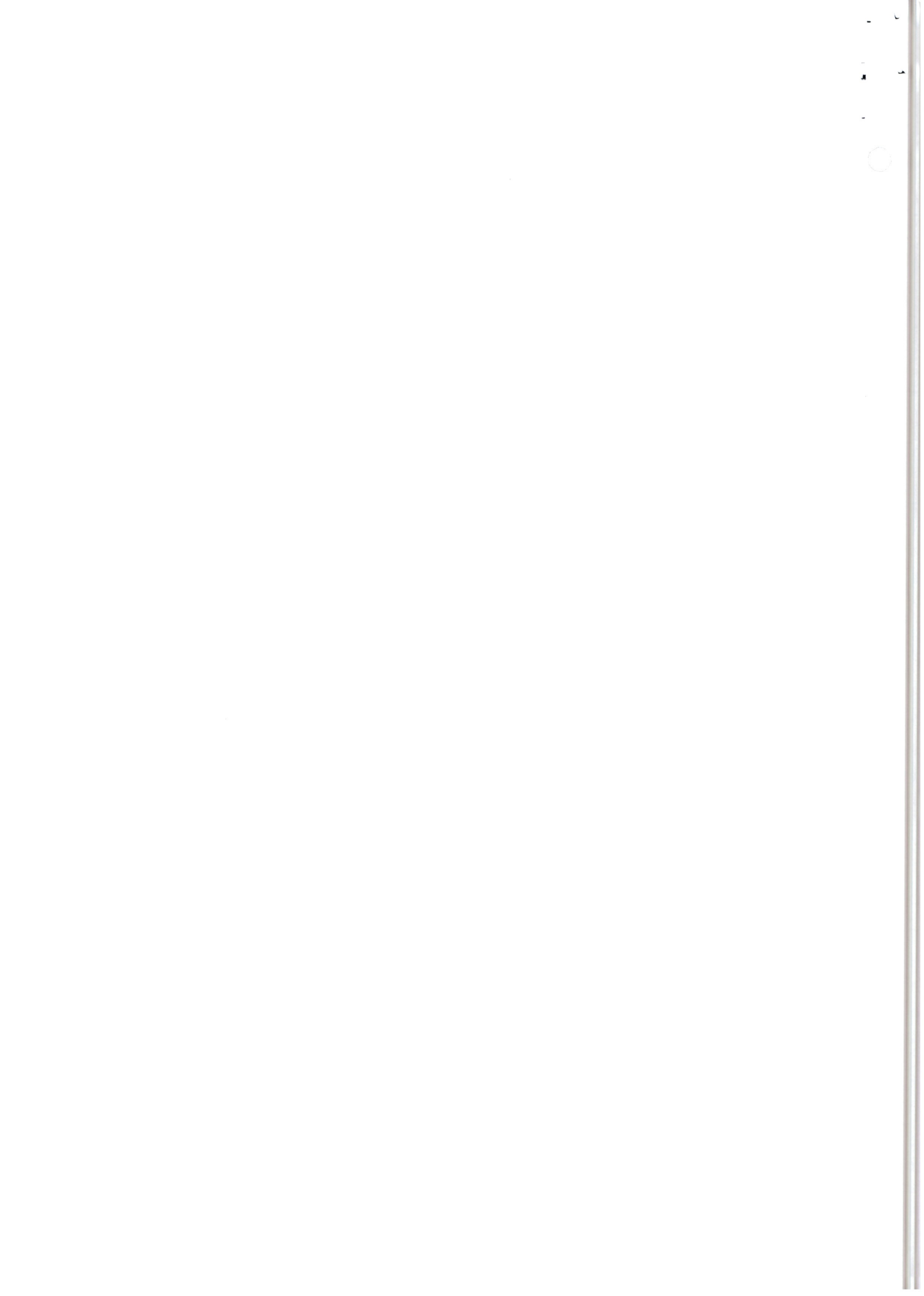
The Cabinet Secretary in charge for the housing function is responsible for the general policy and strategic direction of the CSHSF whereas the principal secretary is the administrator of the Fund. The day to day activities of the CSHSF are handled through a secretariat.

### **(b) Principal Activities**

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

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

*Mandate*



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

*Vision of the Department:*

Excellent, Affordable, Adequate housing for Civil Servants.

*Mission of the Department:*

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

**SCHEME MANAGEMENT COMMITTEE**

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

- i. Officer administering the Fund,
- ii. Principal Secretary responsible for the National Treasury
- iii. Principal Secretary responsible for labour, social security and services
- iv. Principal Secretary responsible for human resource management and development
- v. Principal Secretary responsible for Infrastructure
- vi. Principal Secretary responsible for coordination of National Government.
- vii. The Attorney General.

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

**(c) Fiduciary Management**

During the financial year under focus CSHSF operations were undertaken by the Fund Secretariat and administered by “the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development, Ministry of Transport,

Infrastructure, Housing and Urban Development. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30 June 2018 which show the state of the Fund affairs. The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	- <b>Charles Hinga Mwaura</b>
2.	Director of Administration	- <b>Ibrahim Hussein</b>
3.	Ag. Director CSHSF	- <b>Simon Opondo</b>

**(d) Fiduciary Oversight Arrangements**

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

**(e) Entity Headquarters**

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

**(f) Entity Contacts**

Telephone: (254) 2718050  
E-mail: [cshd@housingandurban.go.ke](mailto:cshd@housingandurban.go.ke)  
Website: [www.housingandurban.go.ke](http://www.housingandurban.go.ke)

**(g) Entity Bankers**

Kenya Commercial Bank Ltd,  
Milimani Branch

A/C No. 1108696325  
P O Box 69695 - 00100  
NAIROBI

**(h) Independent Auditors**




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

**(i) Principal Legal Adviser**



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





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

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p>Charles Hinga Mwaura</p>	<p>Principal Secretary for Housing and Urban Development and Officer administering the Fund</p>	<p>Charles is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa.</p> <p>His core competencies include project and structured finance, deal structuring and business development.</p> <p>Until the time of his appointment as the Principal Secretary of Housing, Urban Development and Public Works, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.</p>
 <p>Margaret W. Muiiru, OGW</p>	<p>Representing the Principal Secretary, National Treasury.</p>	<p>Margaret W. Muiiru is an Administrative Officer in The National Treasury. She holds a Bachelor of Arts- Political Science and Sociology and Advanced Public Administration. She has 34 years' experience in the civil service.</p>
 <p>Geoffrey Apollo Omondi</p>	<p>Representing the Principal Secretary, Labour</p>	<p>Geoffrey Omondi was born in 1959. He is a Deputy Labour Commissioner in the Ministry of East African Community, Labour, Social Protection. He previously worked as a Lecturer in Industrial Relations at Kenya Institute Personnel Management and Railway Training Institute.</p> <p>He holds a Master of Arts in Labour and Development Studies and Bachelor of Arts (Hons) in Political Science and Sociology.</p>







	<p>Representing the Principal Secretary, Public Service and Youth Affairs</p>	<p>Michael Wesley Ojiambo was born in 1958. He is a Director of Administration in the State Department of Public Service and Youth. He holds Bachelor of Arts Degree and MBA in Strategic Management. He has attended Strategic Leadership Development and Advanced Public Administration. He is a member of Kenya Association of Public Administrators. He has worked in various Ministries and has 36 years of experience.</p>
	<p>Representing the Principal Secretary, Infrastructure</p>	<p>John W. Gitu is the Director, Human Resource and Development in the State Department of Infrastructure. He holds Masters of Science (MSc) in Human Resource Management, Bachelor of Arts Degree, Post Graduate Diploma in Human Resource Management. He is a registered member of the Institute of Human Resource Management. He is a Human Resource Practitioner with over 26 years' experience.</p>
	<p>Representing the Principal Secretary, Interior</p>	<p>Arthur Osiya was born in 1967. He is a Secretary/National Administration in the State Department for Interior, Ministry of Interior and Coordination of National Government. He holds Bachelor of Arts, Government and Philosophy (Hons). He has attended various training as follows: Crisis Intervention in the Community, Masha, Israel; Strategic Leadership Development Programme; He previously worked as a County Commissioner and District Commissioner. He has 28 years of experience.</p>
	<p>Representing the Attorney General</p>	<p>Christine is an advocate of the High Court of Kenya with a Bachelor of Laws (LL. degree and Master of Laws (LL.M) from the University of Nairobi, a Post Graduate Diploma in Legal Studies from the Kenya School of Law and a member of the Law Society of Kenya. She is a Principal State Counsel at the Office of the Attorney General and Department of Justice, currently under the Government Transactions Division with experience international Commercial Law, International Law and Land Laws.</p>



	<p>Secretary, Housing</p>	<p>Patrick Bucha was born in 1964. He is Secretary, Housing in the State Department for Housing and Urban Development.</p> <p>He holds a Master of Arts in Building Management, Bachelor of Arts in Building Economics and currently undertaking PhD in Leadership and Governance.</p> <p>He is a registered Quantity Surveyor with Board of Registration for Architects and Quantity Surveyors. He has 28 years of experience.</p>
<p>Patrick Mwenda Bucha, MBS</p>	<p>Director CSHSF and Secretary of the SMC.</p>	<p>Joseph Mutua Ngayai was born in 1958. He is the Director, Civil Servants Housing Scheme Fund. He boasts of over 34 years' experience in Estate (Property) Management and Construction Management.</p> <p>He holds a Master's degree in Construction Management and a Bachelor's degree in Land Economics. He is a Member of the Institution of Surveyors of Kenya (Building Surveyors Chapter).</p> <p>Mr Joseph Ngayai retired from the Civil Service in the Month of May 2018</p>
		
<p>Joseph Mutua Ngayai</p>		



**PROFILES OF SECRETARIAT MEMBERS OF THE CIVIL SERVANTS HOUSING SCHEME FUND (CSHSF)**

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p><b>Mr. Joseph Mutua Ngayai</b></p>	<p>Director, Civil Servants Housing Scheme Fund and officer in charge of the Fund Secretariat. Mr Joseph Ngayai retired from the Civil Service in the Month of May 2018</p>	<ul style="list-style-type: none"> <li>• MSc. Construction Management</li> <li>• BA(Hons)Land Economics</li> <li>• Member of the Institution of Surveyors of Kenya (MISK)</li> </ul>
 <p><b>Mr. Simon O. Opondo</b></p>	<p>Project Manager Mr Simon O. Opondo is the Ag Director CSHSF with effect from May 2018</p>	<ul style="list-style-type: none"> <li>• MSc Architecture, MAAK</li> <li>• Registered Architect</li> </ul>
 <p><b>Mr. Martin Mutisya Kimeu</b></p>	<p>Ag. Estate Manager</p>	<ul style="list-style-type: none"> <li>• M.A Valuation and Property Management</li> <li>• B.A. Land Economics</li> <li>• Full Member of the Institution of Surveyors of Kenya (ISK)</li> </ul>
 <p><b>Daniel Kinuthia Mwangi</b></p>	<p>Scheme Accountant</p>	<ul style="list-style-type: none"> <li>• Msc Finance</li> <li>• B Com Finance</li> <li>• CPA(K)</li> </ul>

## **CABINET SECRETARY'S STATEMENT**

### *The Cabinet Secretary's Report*

To ensure benefits under the scheme are affordable and accessible to housing to civil servants, the civil servants housing scheme regulations are proposed for review in the following areas: -

- i. To reduce the ten percent deposit requirement from applicants to five percent or lower
- ii. To allow applicants support their ability to repay loan from other regular reliable sources of income over and above payroll deductions.
- iii. Prolong loan term to when one attains the age of 65 years from 60 years
- iv. To allow those applying for construction loan to utilize the land as their deposit commitment
- v. Introduction of provisions for engagement of partners in construction projects to take advantage of private sector resources through Public Private Partnerships (PPP).

## **REPORT OF THE PRINCIPAL SECRETARY**

### *Administrator of Fund Report*

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

The Fund has at 30<sup>th</sup> June 2018 accomplished the following: -

#### **a. Non-strategic government houses sold in Nairobi**

<b>S/No</b>	<b>Estate</b>	<b>Number of units</b>	<b>Description</b>
1	Kileleshwa	208	Maisonettes
2	Mugoya	144	Maisonettes
3	Nairobi West	71	Maisonettes
4	Rubia	280	Maisonettes
5	Kibera High Rise Flats	294	Flats



6	Mayfair (Kariokor)	15	Bungalows
7	Kongoni Flats (South 'C')	18	Flats
8	Sungura Road Flats (South 'C')	24	Flats
9	Kabras Road Flats (South 'B')	7	Flats
10	Mukenia Road Flats (South 'B')	20	Flats
11	Parklands	1	Bungalow
	<b>Total</b>	<b>1,082</b>	

**b. Houses directly financed by the Fund**

- A total of 25 civil servants were financed by the CSHSF to purchase housing units sold by the National Housing Corporation (NHC) in Madaraka estate.
- A total of 7 civil servants were financed by the CSHSF to purchase housing units sold by the National Social Security Fund (NSSF) in Embakasi and Langata estates.

**c. Sale of newly constructed houses in Nairobi**

A total of 747 housing units were constructed through the Fund and sold on outright and tenant purchase basis in Nairobi as presented in Table below:

**Constructed houses sold in Nairobi**

S/No	Estate	Number of Units	Description
1.	Ngara	559	Flats
2.	Kilimani	50	
3.	Kileleshwa, Nyeri Road	40	
4.	Kileleshwa, Makueni Road	22	
5.	Kileleshwa, Gichugu Road	26	
6.	Jogoo Road, infill	50	
	<b>TOTAL</b>	<b>747</b>	



**d. Constructed houses for sale in Kisumu**

The Scheme offered 210 houses out of the 250 houses constructed in Kisumu Shauri Moyo on sale. The project was 97% complete as at 30<sup>th</sup> June, 2018. 42 No. units had been sold and sale of the units was ongoing by closure of the financial year.

**e. Granting of Mortgage Loans to Civil Servants**

The fund had as at 30<sup>th</sup> June, 2018 facilitated 989 civil servants with mortgage loans for construction and purchase amounting to Kshs.4.474 billion through Kenya Commercial Bank (KCB) and Housing Finance (HF) Group as shown in the table below:

S/No	Financial Institutions	Number of Civil Servants	Amount (Kshs.)
1	Kenya Commercial Bank	640	2,952,321,973.85
2	Housing Finance	380	1,522,442,241.62
	<b>Total</b>	<b>989</b>	<b>4,474,764,215.47</b>

**f. Houses Constructed and Rented to Civil Servants**

Out of the houses developed through the Fund a total of 411 housing units have been reserved for rental to civil servants as tabulated below

S/No	Estate	Number of Units	Description
1.	Ngara Estate	96	Flats
2.	Shauri Moyo	140	
3.	Jogoo Road	175	
	<b>TOTAL</b>	<b>411</b>	

In total CSHSF has facilitated 3,261 civil servants to access housing.

**f) Commercial Premises**

**Development of Ngara housing project comprised the housing units and;**

- a) Shopping Centre comprising of ten shopping spaces
- b) Nursery School complex

The facilities are let out to rent paying tenants.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

During financial year 2017/2018, the Fund achieved the following.

- i. Offered 210 out of 250 houses in Kisumu Shauri Moyo on sale. The project was 97 % complete by closure of the financial year.
- ii. The department issued loans to 93 Civil Servants for purchase or construction of residential houses.
- iii. Started construction projects in Machakos, Kiambu and Embu. The projects were at 30%, 30% and 35% status of completion
- iv. Funds raised for the year amounted to Kshs. 1,464,397,766.09 broken into; Government grant through National Treasury amounting to 1,088,689,662.00 and Revenue reserve at the end of financial year Kshs. 375,708,104.09

The performance of the department in the year 2017 – 2018 was good. However, there is room for improvement. There is a need to make use of Public Private Partnerships (PPP) to ensure more houses are constructed. There is also need to use cheaper and faster construction technologies in order to achieve adequate housing for Civil Servants.

#### *Challenges*

The above was achieved amidst various challenges that hindered the fast realization of the funds objectives;

- i. Grabbing of land earmarked for construction projects by private individuals or developers
- ii. Delayed remittance of mortgage funds by Ministries and County Governments.
- iii. Delay in completion of construction projects which defers realization of funds for use in other projects.
- iv. Lengthy procedure in procurement of projects under Public Private Partnership arrangements

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

#### *A going concern*

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



## **REPORT OF THE SCHEME COMMITTEE**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *Civil Servants Housing Scheme Fund's* affairs.

### **Principal activities**

The key strategic priorities for the year were

- i. Facilitation of at least 150 civil servants with loans to buy or construct residential houses.
- ii. Sale of Kisumu Shauri Moyo Housing project to comprising 250 one, two and three bedrooms houses at a cost of Kshs 764 million
- iii. Start construction of 200 unit in Machakos, 200 units in Kiambu and 220 units in Embu
- iv. Initiation of Public Private partnership process for construction of Park Road and Starehe Estate
- v. Raise funds for the fund activities and prudent management of the finances.

### **Results**

The results of the entity for the year ended June 30, 2018 are set out on page 17 to 42.

### **Directors**

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

### **Auditors**

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

By Order of the Board

Principal Secretary

State Department of Housing and Urban Development

Date: 

15/3/19

1  
2  
3  
4

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Civil Servants Housing Scheme Fund, which give a true and fair view of the state of affairs of the Civil Servants Housing Scheme Fund at the end of the financial year/period and the operating results of the Civil Servants Housing Scheme Fund for that year. The Directors are also required to ensure that the keeps proper accounting records which disclose with reasonable accuracy the financial position of the Civil Servants Housing Scheme Fund. The Directors are also responsible for safeguarding the assets of the Civil Servants Housing Scheme Fund.

The Directors are responsible for the preparation and presentation of the Civil Servants Housing Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Civil Servants Housing Scheme Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Civil Servants Housing Scheme Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Civil Servants Housing Scheme Fund financial statements give a true and fair view of the state of Civil Servants Housing Scheme Fund's transactions during the financial year ended June 30, 2018, and of the Civil Servants Housing Scheme Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Civil Servants Housing Scheme Fund, which have been relied upon in the preparation of the Civil Servants Housing Scheme Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Civil Servants Housing Scheme Fund's financial statements were approved by the Board on \_\_\_\_\_ 2018 and signed on its behalf by:



Charles Hinga Mwaura  
Principal Secretary



Simon Odhiambo Opondo  
Ag. Director/CSHSF

1  
2  
3  
4

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON CIVIL SERVANTS HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2018 – STATE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

---

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Civil Servants Housing Scheme Fund set out on pages 17 to 44, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Scheme as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Cash and Cash Equivalent

##### 1.1 Un-reconciled Cash and Bank Items

- 1.1.1 Examination of the bank reconciliation statement as at 30 June, 2018 revealed long outstanding balances in the bank reconciliation totaling to kshs.201,183,649 as receipts in cash book not in bank statement which includes kshs.37,454,290 being receipt which are over one year. Management has not explained why the balances remain outstanding.
- 1.1.2 The bank reconciliation statement also shows unexplained payments in the bank not in cash book amounting to Kshs.31,553,576. It is not clear and management has not explained why the balances have remained outstanding for long.

**1.1.3** Further, the bank reconciliation statement reflects balances of Kshs.180,596,212 being payments in the cash book not in bank which include kshs.16,911,231 relating to financial year ended 30 June, 2017 and earlier years.

In the circumstance, it has not been possible to confirm the accuracy and completeness of cash and cash equivalent balance of Kshs.2,408,632,335 as at 30 June, 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Scheme in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

### **Other Matters**

#### **1. Unresolved Matters for the Previous Year**

##### **1.1 Cash and Cash Equivalent**

As reported in the previous audit of 2016/2017, the statement of financial position as at 30 June, 2017 reflected cash and cash equivalent balance of Kshs.2,375,548,143 which was arrived at after netting off Cash and cash balance totaling Kshs.2,500,000,000 with an overdraft of Kshs.124,451,857. No satisfactory explanation was provided for this treatment. In addition, the reflected cash book balance of Kshs.124,451,857 (Overdraft) differed with the audited cash book balance of kshs.463,720,505 resulting to variance of Kshs.339,268,648 which was not explained and/or reconciled.

##### **1.2 Un-reconciled Cash and Bank Items**

Examination of the bank reconciliation statement as at 30 June, 2017 revealed long outstanding balances in the bank reconciliation totaling to Kshs.184,750,652 as receipts in cash book not in bank statement. The receipts in cash book not in the bank include Kshs.13,347,366 balance relating to previous financial years. The bank reconciliation statement also shows unexplained payments in the bank not in cash book amounting to Kshs.10,354,685. These payments have been effected without the necessary payment vouchers being posted to the cash book.

Further, the bank reconciliation statement reflected balances of Kshs.59,498,951 being payments in the cash book not in bank which included Kshs.12,741,658 relating to financial year ended 30 June, 2016 and earlier years.

In the circumstance, it was not possible to confirm the accuracy and completeness of cash and cash equivalent balance of Kshs.2,375,548,142 as at 30 June, 2017.

A review of the above revealed that all the above matters remained unresolved as at 30 June 2018.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that except for the matters described in the Basis for Qualified Opinion section of my report nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for 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 as to 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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

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

### **Basis for conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330 The standards requires that I plan and perform the review so as to obtain assurance as to whether effective processes and systems of internal control, risk management and governance was maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, management is responsible for assessing the ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 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 ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Civil Servants Housing Scheme Fund cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Civil Servants Housing Scheme 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.



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

**Nairobi**

**02 April 2019**

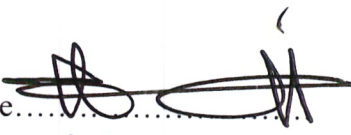
**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017-2018	2016-2017
<b>Revenue from exchange transactions</b>			
Mortgage Interest	6 (a)	153,659,666	144,364,340
Finance income - external investments	6 (b)	226,681,689	190,210,311
Rental revenue from facilities and equipment	6 (c)	58,540,068	56,739,253
Other income	6 (d)	14,500,146	761,821
<b>Total revenue</b>		<b>453,381,569</b>	<b>392,075,725</b>
<b>Expenses</b>			
Secretariat/Boards and Committees	7(a)	5,719,765	10,967,881
General expenses	7(b)	35,818,993	39,088,436
Repairs and maintenance	7(c)	12,244,795	2,322,838
Depreciation and amortization expense	8	24,162,012	24,622,837
<b>Total expenses</b>		<b>77,945,565</b>	<b>77,001,992</b>
<b>Surplus for the period</b>		<b>375,436,004</b>	<b>315,073,733</b>

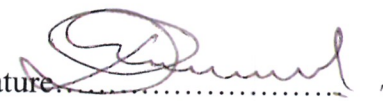
The notes set out on pages 25 to 42 forms an integral part of the Financial Statements

Charles Hinga Mwaura  
Principal Secretary/Officer Administering the Fund  
State Department of Housing & Urban Development

Simon Odhiambo Opondo  
Director/CSHSF

Signature.....

Date.....15/3/19.....

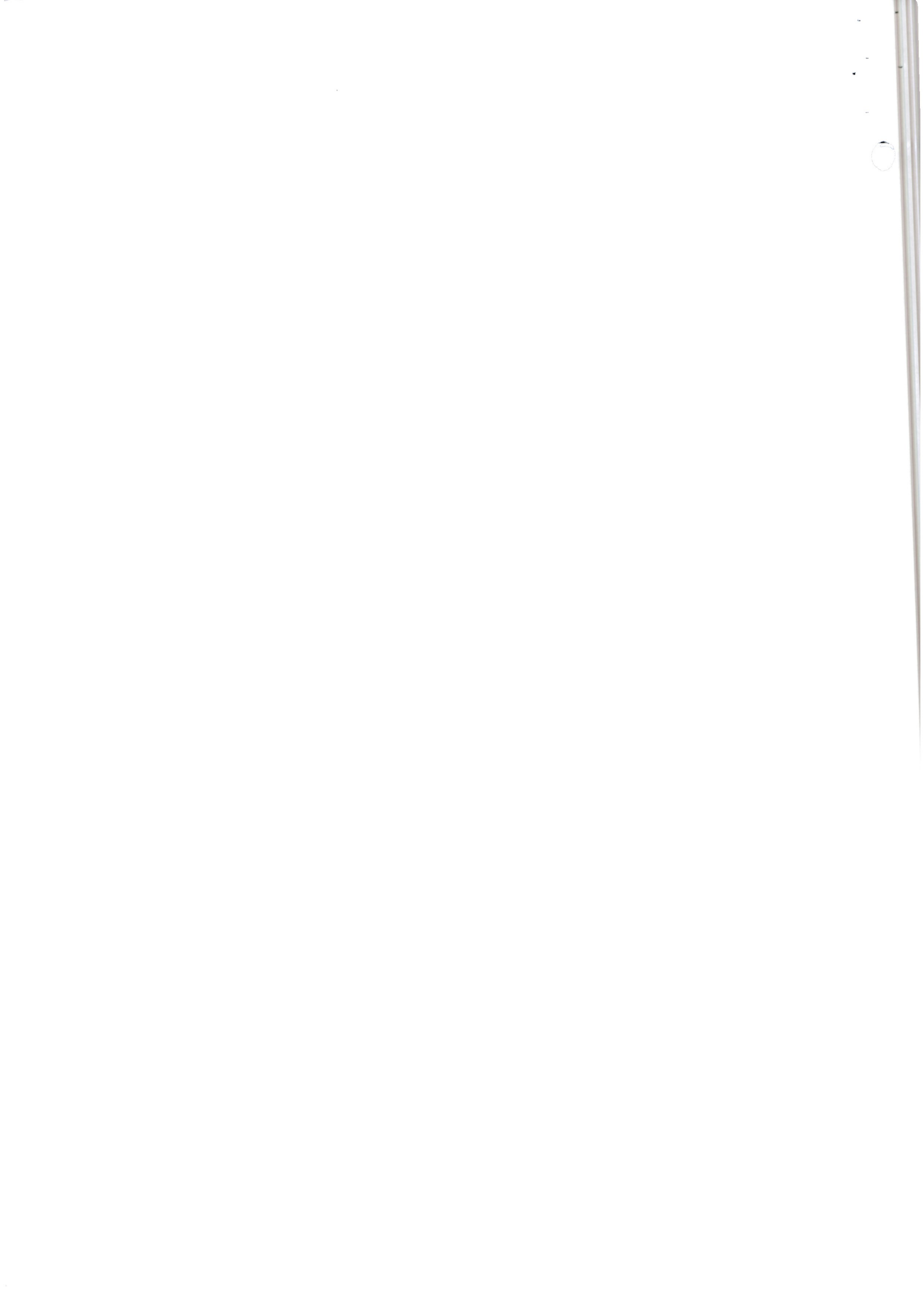
Signature.....

Date.....14/03/19.....

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30**

**JUNE 2018**

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	2,408,632,335	2,375,548,143
Current portion of long-term receivables from exchange transactions	10(a)	1,802,182,911	970,428,517
Advance- KENSUF	10(d)	18,183,400	-
		<b>4,228,998,646</b>	<b>3,345,976,660</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	7,762,437	7,228,318
Investments( Land and building unallocated)	10(b)	2,467,334	2,467,334
Investment property	12	857,313,259	879,295,651
Long term receivables from exchange transactions	10(c)	5,080,063,417	4,395,505,432
		<b>5,947,606,448</b>	<b>5,284,494,734</b>
<b>Total assets</b>		<b>10,176,605,094</b>	<b>8,630,471,394</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	13	-184,379,805	-130,315,209
<b>Total liabilities</b>		<b>184,379,805</b>	<b>130,315,209</b>
<b>Net assets</b>		<b>9,992,225,289</b>	<b>8,500,156,185</b>
Revenue Reserves		<b>2,368,361,311</b>	<b>1,992,925,307</b>
Accumulated surplus (capital reserves)		<b>7,605,680,578</b>	<b>6,507,230,878</b>



Civil Servants Housing Scheme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018

Advance- KENSUF	10 ©	18,183,400	-
<b>Total net assets and liabilities</b>		<b>9,992,225,289</b>	<b>8,500,156,185</b>

The financial statements were approved and signed on behalf of the Scheme management committee

By;

**Charles Hinga Mwaura**

Principal Secretary / Officer administering the Fund  
State Department of Housing & Urban Development

Signature.....



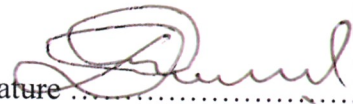
Date .....

15/3/19

**Simon Odhiambo Opondo**

: Ag Director/CSHSF

Signature.....



Date .....

14/03/19

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Revenue reserve</b>	<b>Capital Reserve</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 30 June 2016</b>	<b>1,340,971,656</b>	<b>6,735,387,980</b>	<b>8,076,359,636</b>
Government contribution capital injection movement	-	50,000,000	50,000,000
Property validation and rental collections reserves	-	17,605,509	17,605,509
Accounts payable 10% deposits reserves	-	43,616,990	43,616,990
Reserves on Sale of Houses	-	-2,499,683	-2,499,683
Surplus/(deficit) for the period	315,073,733	-	315,073,733
<b>Balance as at 30 June 2017</b>	<b>1,656,045,390</b>	<b>6,844,110,796</b>	<b>8,500,156,185</b>
Surplus for the period	375,436,004	-	375,436,004
Government contribution capital injection movement	-	1,088,689,662	1,088,689,662
Property validation and rental collections reserves movement	-	-18,067,226	-18,049,226
Accounts payable 10% deposits reserves movement	-	27,827,264	27,827,264
<b>Balance as at 30 June 2018</b>	<b>2,031,481,394</b>	<b>7,942,560,496</b>	<b>9,974,041,889</b>

**STATEMENT OF CASHFLOW  
FOR THE YEAR ENDED 30 JUNE 2018**

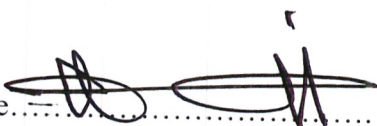
		Kshs 2017-2018	Kshs 2016-2017
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Mortgage Interest	6 (a)	153,659,666	144,364,340
Finance income External Investments	6 (b)	226,681,689	190,210,311
Rental Revenue from facilities and Equipment	6 (c)	58,540,068	56,739,253
Other Incomes	6 (d)	14,500,146	761,821
<b>Total Receipts</b>		<b>453,381,569</b>	<b>392,075,725</b>
<b>Payments</b>			
Secretariat/Boards and Committees	7(a)	5,719,765	10,967,881
Repairs and Maintenance	7(b)	35,818,993	39,088,436
General Expenses	7(c)	12,244,795	2,322,837
<b>Total Payments</b>		<b>53,783,553</b>	<b>52,379,154</b>
<b>Net cash flows from operating activities</b>		<b>399,598,016</b>	<b>339,696,570</b>
Debtors/ Accounts receivable		(29,224,975)	(28,874,801)
Trade and other payables		54,064,596	35,660,414
Work in Progress		(802,529,420)	(312,779,244)
<b>Net cash flows from operating activities</b>		<b>(378,091,782)</b>	<b>33,702,940</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant, equipment & intangible	11	(2,713,740)	(1,367,480)
Land & Building( Unallocated)		-	4,200,000
Mortgage Recoverable Scheme		182,499,504	188,787,196
Mortgage Recoverable S&L		(621,777,855)	(402,267,899)
Mortgage Recoverable HFCK		(243,013,307)	(85,077,468)
Group Insurance Recoverable		(2,268,327)	(3,397,927)
<b>Net cash flows used in investing activities</b>		<b>(687,273,725)</b>	<b>(299,123,577)</b>

**Cash flows from financing activities**

Government grants as capital injection		1,088,689,662	50,000,000
Deposits		(18,067,226)	17,605,509
Accounts Payable (10% deposits)		27,827,264	43,616,990
Housing reserve on sale		-	2,499,683
<b>Net cash flows used in financing activities</b>		<b>1,098,449,700</b>	<b>108,722,816</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>33,084,192</b>	<b>(156,697,821)</b>
<b>Cash and cash equivalent 1 July 2017</b>	9(a)	2,375,548,143	2,532,245,964
<b>Cash and cash equivalent 30 June 2018</b>	9(b)	<b>2,408,632,335</b>	<b>2,375,548,143</b>

**Charles Hinga Mwaura**

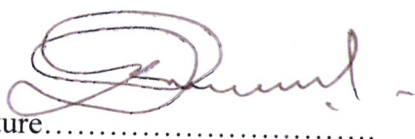
Principal Secretary/Officer administering the Fund  
 State Department of Housing & Urban Development

Signature.....

Date.....15/3/19

**Simon Odhiambo Opondo**

: Ag Director/CSHSF

Signature.....

Date.....14/03/19

**CIVIL SERVANTS HOUSING SCHEME FUND(CSHSF)**

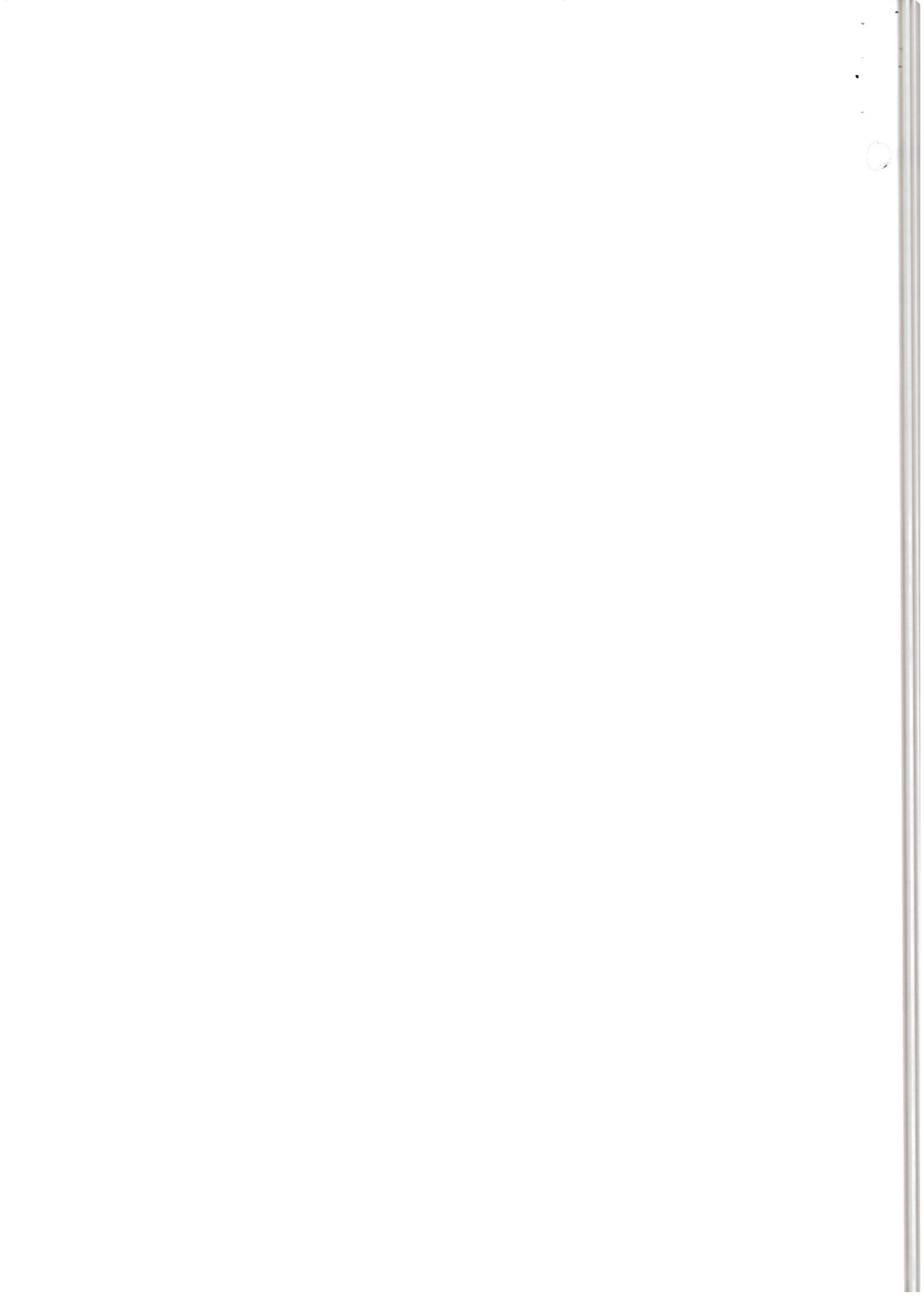
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Balance in the Bank	179,373,912	-	179,373,912	179,373,912	-
Funds on short call from the Bank	2,500,000,000	-	2,500,000,000	2,500,000,000	-
Expected collection From Mortgage & Rent	350,000,000	-	350,000,000	453,381,569	103,381,569
Budgeted Allocation For the Year	1,500,000,000	-	1,500,000,000	1,088,689,662	411,310,338
	<b>4,529,373,912</b>	-	<b>4,529,373,912</b>	<b>4,083,775,573</b>	<b>445,598,339</b>
<b>Expenses</b>					
Boards and Committees	20,000,000	-	20,000,000	5,719,765	14,280,235
Conferences and Seminars	6,000,000	-	6,000,000	3,905,730	2,094,270
Official Entertainment	2,000,000	-	2,000,000	962,636	1,037,364
Travel & Sundry Items	4,000,000	-	4,000,000	2,624,026	1,375,974
Accommodation	12,000,000	-	12,000,000	9,925,815	2,073,785
Advertisement Awareness	15,000,000	-	15,000,000	8,725,159	6,274,841
Publishing and Printing Services	500,000	-	500,000	27,750	472,250
General Office Supplies	5,000,000	-	5,000,000	3,091,100	1,908,900
Group Insurance for Mortgage Protection	20,000,000	-	20,000,000	10,096,164	9,903,836
Purchase of plant and equipment	3,000,000	-	3,000,000	905,000	2,095,000
Purchase of office Furniture and fittings	3,000,000	-	3,000,000	1,808,740	1,191,260



Civil Servants Housing Scheme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018

Telephone & Mobile services	300,000	-	300,000	11,500	288,500
Courier and postal services	200,000	-	200,000	72,510	127,490
Library services	800,000	-	800,000	249,760	550,240
Training Expenses	6,000,000	-	6,000,000	1,136,920	4,863,080
Purchase of software programme	6,000,000	-	6,000,000	-	6,000,000
Supplies of accessories for computer & printers	1,000,000	-	1,000,000	900,000	100,000
Maintenance of equipment	500,000	-	500,000	304,415	195,585
Maintenance of offices	600,000	-	600,000	263,520	336,480
Bank charges	500,000	-	500,000	289,482	210,518
Refurbishment of office	-	-	-	-	-
Contracted guards and cleaning services	3,000,000	-	3,000,000	139,500	2,860,500
Membership Fees, Dues and subscriptions	400,000	-	400,000	244,280	155,720
Repairs and Maintenance of Land and Building	71,000,000	-	71,000,000	11,676,860	59,323,140
Surveying of scheme properties	25,000,000	-	25,000,000	3,512,824	21,487,176
<b>Total Expenditure Operations</b>	<b>205,800,000</b>	<b>-</b>	<b>205,800,000</b>	<b>66,289,347</b>	<b>139,206,143</b>
<b>Development Budget</b>					
Proposed Fees for Building Consultancy Services	666,500,000	-	666,500,000	31,756,230	634,743,770
Building Construction	1,859,700,000	-	1,859,700,000	768,750,824	1,090,949,176
Statutory Fees and other charges	75,000,000	-	75,000,000	2,022,365	72,977,635
Loans to civil servants	1,500,000,000	-	1,500,000,000	1,100,000,000	400,000,000
Purchase of land	222,000,000	-	222,000,000	-	222,000,000
<b>Total expenditure Development</b>	<b>4,323,200,000</b>	<b>-</b>	<b>4,323,200,000</b>	<b>1,902,529,419</b>	<b>2,420,670,581</b>



**NOTES TO THE FINANCIAL STATEMENT**

**1. GENERAL INFORMATION**

Civil Servants Housing Scheme Fund is established by and derives its authority and accountability from housing Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is

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

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Civil Servant Housing Scheme Fund’s accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Civil Servant Housing Scheme Fund.

The financial statements have been prepared in accordance with the PFM Act 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 2018**

Standard	Impact
<p><b>IPSAS 39:</b> Employee Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ADOPTION OF NEW AND REVISED STANDARDS (Continued)**

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

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

- iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**i) Revenue from exchange transactions**

***Sale of goods***

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

***Interest income***

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Rental income***

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

**b) Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on April, 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

**c) Investment property**

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

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

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.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### **e) Financial instruments**

#### ***Financial assets***

#### ***Initial recognition and measurement***

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

#### ***Loans and receivables***

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

#### ***Held-to-maturity***

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or 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:

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

### ***Financial liabilities***

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### ***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

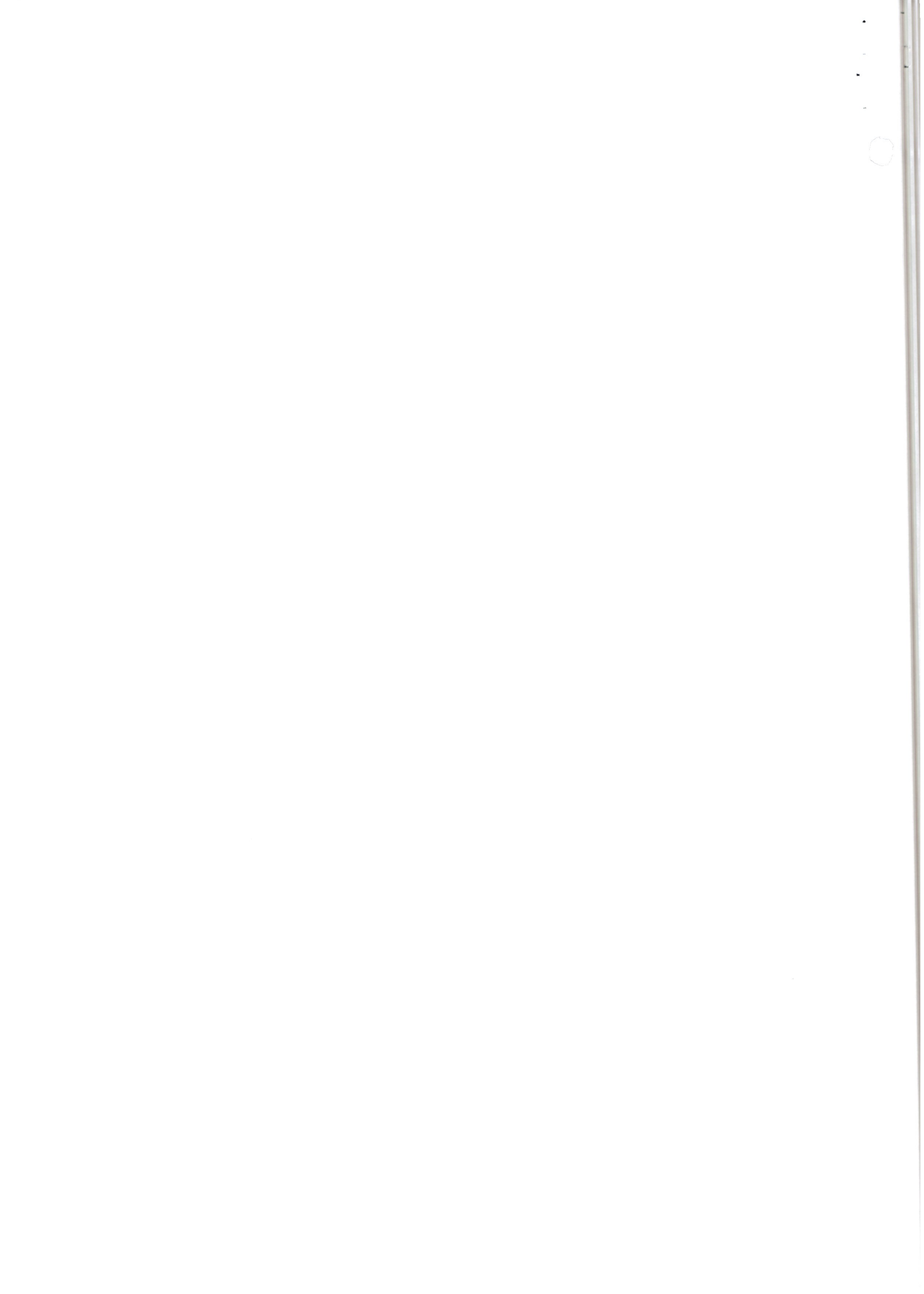
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **f) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### ***Contingent liabilities***

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

### ***Contingent assets***

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

### **g) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. These includes Government contribution capital (grant from the parent ministry), property validation (sale of non-strategic houses), rental collection reserves (rent from houses owned by the scheme), accounts payables 10% deposits (deposits from clients awaiting allocation of houses) and reserves on sale of houses (profit from sale of houses developed). The policy of the scheme is to plough them back to grow the fund.

### **h) Borrowing costs**

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

### **i) Related parties**

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

### **j) Cash and cash equivalents**

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



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **k) Comparative figures**

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

## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and assumptions**

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

### **Useful lives and residual values**

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

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

### **u) 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, 2018.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

<b>6. Revenue from Exchange Transactions</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>6 (a) Mortgage Interest</b>		
Mortgage interest	54,141,125	65,793,405
Mortgage interest S&L	51,078,095	36,184,461
Mortgage interest HFCK	48,440,446	42,386,474
	<b>153,659,666</b>	<b>144,364,340</b>
<b>6(b) Finance Income-External Investments</b>		
Finance Income External Investments	226,681,689	190,210,311
<b>6 (c) Rental Revenue from facilities and Equipment</b>		
Rental Revenue from Facilities and Equipment	58,540,068	56,739,253
<b>6 (d) Other Income</b>		
Bank Interest	14,284,146	0.00
Sale of Tender Documents	-	149,000
Sale of Forms	186,000	257,000
Other income, rentals and agency fees	30,000	355,821
	<b>14,500,146</b>	<b>761,821</b>
 <b>7.General Expenses</b>	 <b>2017-2018</b>	 <b>2016-2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Expenses</b>		
(a)Secretariat/Boards & Committee	5,719,765	10,967,881
<b>Sub Total</b>	<b>5,719,765</b>	<b>10,967,881</b>
<b>(b)General Expenses</b>		
Conference & Seminars	3,905,730	3,915,140
Membership Fees	244,280	798,896
Official Entertainment	962,636	891,365
Travel & Sundry Items (e.g. Taxi)	2,624,026	3,995,262
Accommodation	9,925,816	7,412,127
Advertisement Awareness	8,725,159	6,753,665



**NOTES TO THE FINANCIAL  
STATEMENTS (continued)**

Publishing and Printing Services	27,750	35,640
General Office Supplies	3,091,100	1,759,785
Telephone & Mobile Services	11,500	12,000
Courier & Postal Services	72,510	34,840
Library Services	249,760	445,196
Training Expenses	1,136,920	5,258,752
Guards and Cleaning Services	139,500	222,800
Surveying of Scheme properties	3,512,824	6,372,950
Bank Charges	289,482	283,101
Purchase of software programme	-	387,100
Supplies & accessories of computer	900,000	509,816
Purchase of plant and Equipment	-	-
<b>Sub Total</b>	<b>35,818,993</b>	<b>39,088,436</b>
<b>( c )Repairs and Maintenance</b>		
Maintenance of Equipment	304,415	603,326
Refurbishment of Residential Building	11,676,860	1,719,512
Office Maintenance	263,520	-
<b>Sub Total</b>	<b>12,244,795</b>	<b>2,322,838</b>
<b>8.Depreciation and Amortization Expense</b>		
Depreciation Expenses	24,162,012	24,622,837
<b>Total Expenses</b>	<b>77,945,565</b>	<b>77,001,991</b>



**NOTES TO THE FINANCIAL  
STATEMENTS (continued)**

<b>9.(a) Cash and cash equivalents</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash-books balances	1,408,632,335	-124,451,857
Short-term deposits	1,000,000,000	2,500,000,000
<b>Total cash and cash equivalents</b>	<b>2,408,632,335</b>	<b>2,375,548,143</b>

**9 (b). Detailed analysis of the cash and cash equivalents**

<b>Financial Institution</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
National Bank of Kenya	1,000,000,000	2,000,000,000
Housing Finance of Kenya	-	500,000,000
Others- cashbook balances	1,408,632,335	-124,451,857
<b>Grand total</b>	<b>2,408,632,335</b>	<b>2,375,548,143</b>

<b>10.Receivables from exchange transactions</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>

**(a) Current portion of long-term receivables  
from exchange transactions**

**Work-in-progress**

Construction	1,330,755,415	562,004,591.40
Consultant	160,767,872	129,011,641.63
Statutory fees & other charges	7,082,392	5,060,027.00

**Debtors/Accounts receivable**

Debtors(P/s Lands & Lands )	109,647,558	109,647,558
Rent and service charge Arrears	162,039,664	138,332,578
Service charge arrears	31,890,010	26,372,121
<b>Total current receivables</b>	<b>1,802,182,911</b>	<b>970,428,517</b>



**NOTES TO THE FINANCIAL  
STATEMENTS (continued)**

	<b>2017-2018</b>	<b>2017-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>(b) Investments(Land and buildings unallocated</b>	<b>2,467,334</b>	<b>2,467,334</b>
<b>Long term receivable from exchange transaction</b>		
Mortgage recoverable from the Scheme	1,333,664,660	1,516,164,164
Mortgage recoverable from HFCK	1,305,401,584	1,062,388,277
Mortgage recoverable from KCB (S&L)	2,394,720,762	1,772,942,907
Group insurance	46,276,411	44,008,084
(c)	<b>5,080,063,417</b>	<b>4,395,505,432</b>
<b>Total Non-current receivables</b>	<b>5,082,530,751</b>	<b>4,397,972,765</b>

(d) Non Exchange Transactions

The Civil Servants Housing Scheme Fund advanced Ksh 18,183,400.00 to Kenya Slum Upgrading Low Cost Housing and Infrastructure Trust Fund (KENSUF) which has not been refunded as at 30<sup>th</sup> June 2018.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

Civil Servants Housing Scheme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. Property, plant and equipment**

Cost	Computers & other Equipment	Motor-vehicles	Furniture and Fittings	Land and Buildings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2017	43,438,047	4,016,157	7,690,831	1,002,379,368	1,057,524,403
Additions	905,000	-	1,808,740	-	2,713,740
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30 June 2018</b>	<b>44,343,047</b>	<b>4,016,157</b>	<b>9,499,571</b>	<b>1,002,379,368</b>	<b>1,060,238,143</b>
<b>Depreciation and impairment</b>					
At 1 July 2017	-38,773,023	-3,888,940	-5,254,754	-123,083,717	-171,000,434
Depreciation	-1,672,788	-31,804	-475,028	-21,982,391	-24,162,012
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30 June 2018</b>	<b>-40,445,811</b>	<b>-3,920,744</b>	<b>-5,729,782</b>	<b>-145,066,109</b>	<b>-195,162,446</b>
<b>Netbook values</b>					
<b>At 30 June 2017</b>	<b>4,665,024</b>	<b>127,217</b>	<b>2,436,077</b>	<b>879,295,651</b>	<b>886,523,968</b>
<b>At 30 June 2018</b>	<b>3,897,236</b>	<b>95,413</b>	<b>3,769,789</b>	<b>857,313,259</b>	<b>865,075,697</b>

11  
12  
13  
14  
15

**NOTES TO THE FINANCIAL STATEMENTS**

**12. Investment property**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Shauri Moyo /Jogoo 315 Units(Conversion Cost)	572,739,443	572,739,443
Ngara Desai Road Rental 96 Units 2&3 Bedroom (Conversion Cost)	429,639,926	429,639,926
Accumulative Depreciation	-145,066,109	-123,083,717
<b>Closing balance at 30 June 2017</b>	<b>857,313,259</b>	<b>879,295,651</b>

**13. Trade and other payables from exchange transactions**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
10% Retention	-174,249,610	-124,791,741
Service Charge	-7,152,940	-2,654,323
Rent Security Deposits	-2,115,887	-2,115,887
Bank Loan Repayment	-861,368	-753,258
<b>Total trade and other payables</b>	<b>-184,379,805</b>	<b>-130,315,209</b>

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14. Financial Risk Management**

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

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

**(i) Credit risk**

The entity 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.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>
<b>At 30 June 2018</b>		
Receivables from exchange transactions	1,802,182,911	1,802,182,911
Bank balances	2,408,632,335	2,408,632,335
<b>Total</b>	<b>4,210,815,246</b>	<b>4,210,815,246</b>
<b>At 30 June 2017</b>		
Receivables from exchange transactions	970,464,517	970,464,517
Bank balances	2,375,548,143	2,375,548,143
<b>Total</b>	<b>3,346,012,660</b>	<b>3,346,012,660</b>



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(i) Credit risk (Continued)**

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

The scheme's committee sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2018</b>		
Trade payables	174,249,610	174,249,610
Provisions	10,130,195	10,130,195
<b>Total</b>	<b>184,379,805</b>	<b>184,379,805</b>
<b>At 30 June 2017</b>		
Trade payables	124,791,741	124,791,741
Provisions	5,523,468	5,523,468
<b>Total</b>	<b>130,315,209</b>	<b>130,315,209</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 the entity'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

### (iv) Interest rate risk

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

#### *Management of interest rate risk:*

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

#### *Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 2,408,632,335 (2017: Kshs 2,375,548,142). A rate increase/decrease of 2% would result in a decrease/increase in profit before tax of Kshs 61,305,844.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Capital Risk Management**

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

	2017-2018	2016-2017
	Kshs	Kshs
Retained earnings	2,031,481,394	1,656,045,390
Capital reserve	7,942,560,496	6,844,110,796
<b>Total funds</b>	<b>9,974,041,890</b>	<b>8,500,156,186</b>
Total borrowings	-	-
Less: cash and bank balances	(2,408,632,335)	(2,375,548,143)
Net debt/(excess cash and cash equivalents)	7,565,409,555	6,124,608,043
<b>Gearing</b>	<b>76%</b>	<b>72%</b>

**15. RELATED PARTY BALANCES**

**a) Nature of related party relationships**

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

The entity is related to

- i) The National Government;
- ii) The Parent Ministry;

**b) Related party transactions**

	2017-2018	2016-2017
	Kshs	Kshs
Transfers from related parties'	1,088,689,662	50,000,000
	=====	=====

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

#### **16. EVENTS AFTER THE REPORTING PERIOD**

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

#### **17. ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of State department of Housing. Its ultimate parent is the Government of Kenya.

#### **18. CURRENCY**

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

#### **19. MOVEMENTS OF THE RESERVES.**

Government capital injection of kshs.1, 088,689,662

Property validation and rental collections reserves movement of kshs. 18,067,226

Accounts payables 10% deposits reserves movement of kshs. 27,827,264

Reserves on sale of houses of kshs. (0.00).



**XIV. Appendix 1**

**INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>				
<b>Break down of Transfers from the State Department of Housing</b>				
<b>FY 17/18</b>				
a.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	State Department of Housing	18/09/2017	375,000,000	2017/2018
	State Department of Housing	19/02/2018	338,689,662	2017/2018
	State Department of Housing	11/04/2018	375,000,000	2017/2018
		<b>Total</b>	<b>1,088,689,662</b>	

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

Scheme Accountant

Head of Accounting Unit

Civil Servants Housing Scheme Fund

State Department of Housing

Sign 

Sign \_\_\_\_\_



Civil Servants Housing Scheme Fund  
Annual Reports and Financial Statements  
For the year ended June 30, 2018  
**XV. Appendix 2**

**RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
State Department of Housing	18/09/2017	Development	375,000,000	-	375,000,000	-	-	-	375,000,000
State Department of Housing	19/02/2018	Development	338,689,662	-	338,689,662	-	-	-	338,689,662
State Department of Housing	11/04/2018	Development	375,000,000	-	375,000,000	-	-	-	375,000,000
<b>Total</b>			1,088,689,662	-	1,088,689,662	-	-	-	1,088,689,662

