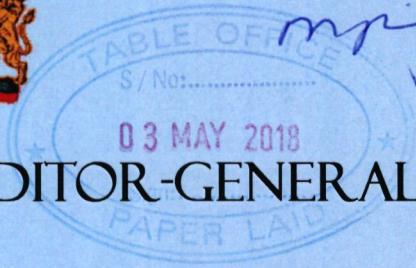


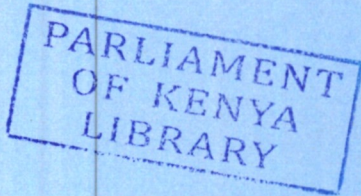
REPUBLIC OF KENYA



*Paper laid by
the Hon. W. W. Njiru
On Thursday 3/5/2018*



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
LAND SETTLEMENT FUND TRUSTEES**

**FOR THE YEAR ENDED
30 JUNE 2017**

**MINISTRY OF LAND AND PHYSICAL
PLANNING**



MINISTRY OF LANDS AND PHYSICAL PLANNING

LAND SETTLEMENT FUND (LSF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2017

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

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

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LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

1. FUND DETAILS

PRINCIPAL PLACE OF BUSINESS

ARDHI HOUSE, 8TH Floor, Ngong Road
P.O. Box 30297-00100
NAIROBI

BANKER

Kenya Commercial Bank Ltd,
Moi Avenue
P O Box 30081- 00100
NAIROBI

AUDITORS

Auditor General,
P O Box 30084 - 00100
NAIROBI

PRINCIPAL LEGAL ADVISER

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

2. INTRODUCTION

During the financial year under focus Land Settlement Fund (LSF) operations were undertaken by the Director of Land Adjudication and Settlement and administered by "the officer administering the Fund – the Principal Secretary, Ministry of Lands and Physical Planning. The officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30th June 2017 which show the state of the Fund affairs.

Mandate

The Department is charged with the responsibility of:

- Ascertaining land rights and interests through land Consolidation and Adjudication,
- Settlement of poor landless Kenyans under Land Settlement Fund,
- Management of the Land Settlement Fund,
- Administration of Group Ranches
- Arbitration of Land disputes.

Vision

To have all trust/community land registered and landless Kenyans settled on agricultural viable units of land.

Mission

To encourage socio-economic development, through transformation of customary land tenure to statutory freehold and provision of sustainable settlement.

Values

The department maintains the following values:

1. Customer responsiveness
2. Efficiency and Effectiveness in service delivery
3. Transparency and Accountability
4. Innovativeness and adaptiveness to modern technology
5. Zero tolerance to corruption
6. Professionalism
7. Inclusiveness.

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

Key Strategic Objectives

The broad objectives of the department are:

- i. Settle landless poor on viable agricultural land
- ii. Facilitate registration of land and
- iii. To provide security of land tenure,

Strategic Programmes

- Land Adjudication programmes
- Acquisition of viable agricultural land for Settlement Schemes.
- Finalization of on - going Settlement Schemes.
- Computerization of SFT billing and Accounting System
- Computerize settler Loan Repayments
- Training of Group Ranch Representatives and members

Key strategic priorities

- Facilitation of discharges for issuance of Title deeds.
- Finalize on-going land adjudication sections and settlement schemes.
- Computerization of SFT Billing and Accounting Systems.

3. 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 ASF.

Management of the Fund is overseen by the Settlement Fund Board Trustees for the reporting period comprising:

- (a) the Cabinet Secretary responsible for land matters who shall be the chairperson;
- (b) the Cabinet Secretary responsible for National Treasury;
- (c) the Cabinet Secretary responsible for Agriculture;
- (d) the Cabinet Secretary responsible for the environment and natural resources;
- (e) the Cabinet Secretary responsible for Internal Security; and
- (f) a representative of the National Land Commission.

The scheme is administered by the administrator through the Director of Land Adjudication and Settlement (DLAS) who carries out the day to day activities of fund. These daily activities of the fund are executed through the DLAS assisted by staff and accountant teams.

Fiduciary Management

During the financial year under focus, LSF operations were undertaken by the Fund secretariat and administered by the principal secretary at the time in charge of the Ministry of Lands and Physical Planning. The officer administering the fund therefore hereby submits the report of the fund and the financial statements for the year ending 30th June 2017.

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	- Dr. Nicholas Muraguri
2.	Director of LAS	- Esther N. Ogega
3.	Senior Deputy Director LAS	- Paul K. Mwangi

MANAGEMENT TEAM

1. Esther N. Ogega M.A, Environmental Planning and Management (UON), B.A (UON)- Hons	Director Land Adjudication and Settlement
2. Paul K. Mwangi M.A, Environmental Planning and Management (UON), Bsc (UON)- (Hons)	Senior Deputy Director Land Adjudication and Settlement
3. Ndung'u Kiarie MBA-Strategic Management, Bcom - Accounting and Taxation, CPA	Accountant Land Settlement Fund (LSF)

4. MANAGEMENT REPORTS

THE PRINCIPAL SECRETARY'S 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 Department's achievements were:

- i. The SFT land and development loans collection for the year amounted to Ksh. **85,462,747** only.
- ii. **5,926** Discharge of Charges and Transfers were prepared

The performance of the department in the year 2016 – 2017 was good. However, there is room for improvement. There is need to implement land adjudication sections and settlement schemes as projects so as to fast track issuance of title deeds

Challenges

Implementation of Land Adjudication and Settlement programmes was affected by the following:

- Inadequate funding to undertake planned activities ;
- Lack of basic physical infrastructure in Settlement Schemes.
- High cost of settlement land in high agricultural potential areas leading to purchasing land in marginal areas;
- Pending disputes especially objections to the Adjudication registers which hampered finalization of many Adjudication sections;
- Shortage of personnel to carry out core activities;
- Inadequate transport;
- Low collection of SFT land loan due to waivers;
- Professional squatting and speculative acquisition of land;
- Increased landlessness and competition for limited available land; and
- Unresolved court cases.

Concluding remarks

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.

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

DIRECTOR OF LAND ADJUDICATION AND SETTLEMENT'S REPORT

Statement of the Director of Land Adjudication and Settlement's Responsibilities on the Financial Statements for the Year Ended 30th June 2017

Section 168 of the Agriculture Act, Cap 318 and the legal notice No. 352/1963 which established the Fund requires the management of the Fund to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its operating results for that year. It also requires the management to ensure proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

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

5. STATEMENT OF THE ADMINISTRATOR OF THE FUND

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

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

I am of the opinion that the attached appropriations and other financial statements present fairly financial state of affairs of the Agricultural Settlement Fund as at 30th June 2017.



.....
Accounting Officer/ Receiver of Revenue/Administrator of National Public Fund

The Principal Secretary,

Ministry of Lands and Physical Planning.

REPUBLIC OF KENYA

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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 LAND SETTLEMENT FUND TRUSTEES FOR THE YEAR ENDED 30 JUNE 2017 – MINISTRY OF LAND AND PHYSICAL PLANNING

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Land Settlement Fund Trustees set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an efficient way.

Basis for Disclaimer of Opinion

1.0 Property, Plant and Equipment

As previously reported, the Fund's statement of financial position as at 30 June, 2017 reflects a balance of Kshs.7,432,839,874 for Non-current Assets. However, schedules for land and buildings and fixed and loose assets accounting for the full value of the property, plant and equipment of Kshs.7,432,839,874 were not availed for audit review. Further, the Fund did not maintain a fixed/non – current assets register during the year under review thereby making it difficult to determine whether all non-current assets were accounted for. In the circumstance, it has not been possible to confirm whether the balance for property, plant and equipment of Kshs.7,432,839,874 included in the statement of financial position as at 30 June, 2017 is fairly stated.

Report of the Auditor-General on the Financial Statements of Land Settlement Fund Trustees for the year ended 30 June 2017 – Ministry of Land and Physical Planning

2.0 Current Assets

2.1 Receivables from Non-Exchange Transactions

Note 10 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.1,226,926,406. The balance has been arrived at after setting off a total credit balance of Kshs.2,966,132,339 as summarized below:-

Item	Kshs.
Land Loans Principal Billed	610,055,404
Development Loans Principal Billed	189,149,529
Rescue Loans Principal Billed	240,198
Cane Development Costs-Suspense	5,139,967
Loan Repayment-Collection	2,161,547,241
Total	2,966,132,339

However, no supporting schedules were availed for audit review in support of these credit balances as was the case in the previous years.

2.2 Unsupported Debit Balances

As reported in the previous year, the statement of financial position as at 30 June 2017 under note 10 (receivables from non-exchange contracts) – current receivables reflected the following balances totalling Kshs.4,182,651,766 and which had no supporting schedules as summarized below:-

Item	Amount (Kshs.)
Land Loans Issued	278,975,885
Development Loan Issued	231,832,877
Rescue Loans Issued	550,019
Other Recoverable Expenses	9,820,460
Billed amount Settlers	3,494,524,091
Other Debtors	32,353,374
Trade Investment	59,263,387
Advances	10,567,668
Suspense Debit Items	64,507,005
Agency Accounts (Debits)	257,000
Total	<u>4,182,651,766</u>

In the circumstance, it has not been possible to determine the validity, accuracy and propriety of the receivables from non-exchange transactions balance of Kshs.4,182,651,766 included in the statement of financial position as at 30 June 2017.

3.0 Trade and Other Payables from Exchange Transactions – Unsupported Balance

The statement of financial position as at 30 June 2017 includes trade and other payables from exchange transactions of Kshs.14,118,127. Note 12 to the financial statements reflects trade and other payables from exchange transactions with the following balances and which had no supporting schedules:-

Item	Amount (Kshs.)
Refundable Deposits from customers	93,343,385
Other Creditors	3,150,139
Accrued Interest on Loan	301,500
Reserve for Bad Debts	6,602,797
Suspense Credit Items	(122,806,862)
Fund Drawn from Treasury	5,153,814
Total	(14,255,227)

In the absence of supporting schedules and analysis, it has not been possible to ascertain the existence, accuracy and validity of these balances for trade and other payables from exchange transactions included in the statement of financial position as at 30 June 2017 with a net balance of Kshs.14,118,127.

4.0 Temporary Imprest - Outstanding Imprest

Included in the statement of financial position as at 30 June, 2017 is receivables from non-exchange transactions amounting to Kshs.1,226,926,406. This balance includes an imprest of Kshs.10,406,980. Out of this amount, Kshs.2,805,150 are long outstanding imprests and which the Fund has not recovered contrary to the Public Finance Management (National Government) Regulations 2015, Section 93(5) which require a holder of temporary imprest to account for or surrender the imprest within seven (7) working days after returning to the duty station.

5.0 Statement of Comparison of Budget and Actual Amounts

International Public Sector Accounting Standards (IPSAS) 24 – Presentation of budget Information in financial statements-requires a comparison of budget and actual amounts arising from execution of the budget to be included in the financial statements of entities which are publicly held accountable for their budget. The Fund did not comply with this requirement and therefore did not include the statement of comparison of Budget and actual amounts in its financial statements. The omission not only failed to comply with the International Public Sector Accounting Standards but also denied the users of the financial statements the information on the extent to which the Fund achieved its budgetary provisions for the year.

6.0 Budget and Budgetary Control and Performance

In 2016/2017 financial year, the Fund had projected to spend Kshs.943,960,500 comprising of recurrent expenditure of Kshs.268,760,500 and capital expenditure of Kshs.675,000,000 as detailed here below:-

Items	Approved Budget	Actual Expenditure	Under Expenditure
	Kshs.	Kshs.	Kshs.
Recurrent Expenditure	268,760,500	214,881,941	53,878,559
Capital Expenditure	675,000,000	-	675,000,000
Total	943,760,500	214,881,941	728,878,559

Although the Fund spent 78% of its budgeted recurrent expenditure, the Fund never spent any portion of its budgeted capital expenditure of Kshs.675,000,000. The Fund, therefore, did not accomplish its planned development projects/targets.

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

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to cease operations or have no realistic alternative but to do so.

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

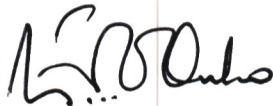
Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the

Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Land Settlement Fund Trustees in accordance with ISSAIs 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

21 March 2018

6. FINANCIAL STATEMENTS

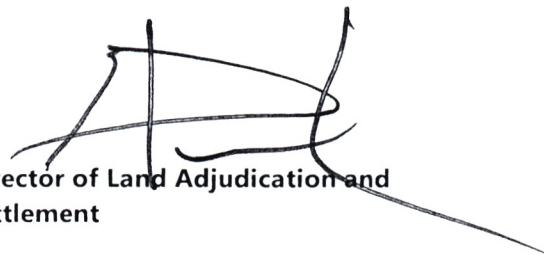
LAND SETTLEMENT FUND (LSF)
STATEMENT OF FINANCIAL
PERFORMANCE
For the year ended 30th June, 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
INCOME			
Settlement Revenue	2	1,346,816	1,650,852
Settlement Interest	3	<u>527,984,189</u>	<u>959,516,013</u>
Total revenue		529,331,005	961,166,865
EXPENSES			
Accommodation & subsistence Allowance	4	32,464,151	63,400,282
Repairs and maintenance	5	2,030,138	1,428,880
Pre-Settlement Development Costs	6	13,459,184	29,794,736
General expenses	7	166,331,072	210,074,237
Finance costs	8	597,396	690,191
Total expenses		<u>214,881,941</u>	<u>305,388,326</u>
Surplus/Deficit		<u>314,449,064</u>	<u>655,778,539</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial statements. The entity financial statements were approved on _____ 2017 and signed by:



Principal Secretary



Director of Land Adjudication and Settlement

Date 10.4.2018

Date 10/04/2018

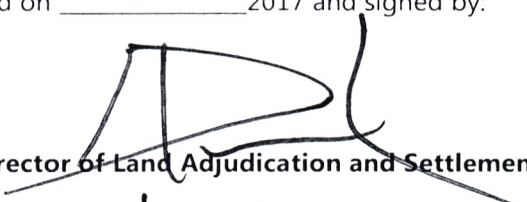
LAND SETTLEMENT FUND (LSF)
STATEMENT OF FINANCIAL POSITION
As at 30th June, 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	9	652,478,572	414,834,918
Receivables from non-exchange transactions	10	<u>1,226,926,406</u>	<u>784,313,839</u>
Total Current assets		1,879,404,978	1,199,148,757
Non-current assets			
Property, plant and equipment	11	<u>7,432,839,874</u>	<u>7,432,878,660</u>
Total Non - current assets		<u>7,432,839,874</u>	<u>7,432,878,660</u>
Total assets		9,312,244,852	8,632,027,418
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	12	<u>(14,118,127)</u>	<u>(14,285,401)</u>
Total Current Liabilities		(14,118,127)	(14,285,401)
Non-current liabilities			
Borrowings	13	8,061,544	9,559,108
Total Non- current liabilities		8,061,544	9,559,108
Total liabilities		(6,056,583)	(4,726,293)
Net assets		<u>9,318,301,434</u>	<u>8,636,753,710</u>
Net Assets and Equity			
Revenue Reserves	14	(1,363,482,729)	(1,677,768,708)
Revolving Fund - seasonal loans		1,733,741	1,733,741
Land Purchase grant		<u>10,680,050,422</u>	<u>10,312,788,677</u>
Total net Assets and equity		<u>9,318,301,434</u>	<u>8,636,753,710</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on _____ 2017 and signed by:


Principal Secretary

Date **10.4.2018**


Director of Land Adjudication and Settlement

Date **10 | 04 | 2018**

LAND SETTLEMENT FUND (LSF)
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30th June, 2017

Attributable to the owners of the controlling entity

	Revolving Fund Reserves				Total Kshs
	Seasonal Loans Ksh	Land Purchase Ksh	Grant Ksh	Accumulated surplus Kshs	
Balance as at 30 JUNE 2015	1,733,741	9,387,003,084	(2,161,047,247)		7,227,689,578
Prior year adjustment			(172,500,000)		(172,500,000)
Grant received		1,250,000,000			1,250,000,000
Surplus/(deficit) for the period	-	-	655,778,539		655,778,539
Transfers to/from accumulated su	-	(324,214,407)			(324,214,407)
Balance as at 30 JUNE 2016	1,733,741	10,312,788,677	(1,677,768,708)		8,636,753,710
Prior year Adjustment			(163,085)		(163,085)
Increase in Grants		367,261,745			367,261,745
Surplus for the period	-	-	314,449,064		314,449,064
Transfers to/from accumulated su					
Balance as at 30 JUNE 2017	1,733,741	10,680,050,422	(1,363,482,729)		9,318,301,434

LAND SETTLEMENT FUND (LSF)
STATEMENT OF CASH FLOW
For the year ended 30th JUNE, 2017

	2016-2017	2015-2016
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Settlement revenue	1,346,816	1,650,852
Settlement interest	<u>527,984,189</u>	<u>959,516,013</u>
Total Receipts	529,331,005	961,166,865
Payments		
Accommodation & subsistence Allowance	32,464,151	63,400,282
Repairs and maintenance	2,030,138	1,428,880
Finance cost	597,396	690,191
Pre-Settlement Development Costs	13,459,184	29,794,736
General Expenses	<u>166,331,072</u>	<u>210,074,237</u>
Total Payments	214,881,941	305,388,326
Net surplus/deficit	314,449,064	655,778,539
Adjustments		
Changes in receivables	(442,612,567))	(875,583,240)
Changes in payables	167,275	4,878,439
Prior Year Adjustment in Receivables	(163,085)	-
	<u>(442,608,378)</u>	<u>(870,704,801)</u>
Net cash flows from operating activities	(128,159,313)	(214,926,262)
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	-	(1,256,078,280)
Proceeds from sale of property, plant and equipment	<u>38,787</u>	<u>21,914,921</u>
Net cash flows used in investing activities	38,787	(1,234,163,359)
Cash flows from financing activities		
Grants received	367,261,745	1,250,000,000
Repayment of borrowings	<u>(1,497,564)</u>	<u>(4,706,027)</u>
Net cash flows used in financing activities	365,764,181	1,245,293,973
Net increase/(decrease) in cash and cash equivalents	237,643,654	(203,795,648)
Cash and cash equivalents at 1 JULY	9 414,834,918	618,630,566
Cash and cash equivalents at 30 JUNE	9 652,478,572	414,834,918

7. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparations IPSAS I

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on the Accrual Basis of Financial Reporting under the Accrual Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity and all the values have been rounded off to the nearest one shilling. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Summary of significance accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

The entity recognizes revenues from non - exchange transactions 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 the entity and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

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

b) Budget information – 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 the entity. 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.

c) Taxes – IAS 12

The entity is not taxable

d) 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, 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.

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements

For the year ended 30th June 2017

NOTES TO THE FINANCIAL STATEMENTS

(Cont....)

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) Provisions – IPSAS 19

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.

f) Changes in accounting policies and estimates – IPSAS 3

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

g) 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.

h) Borrowing costs – IPSAS 5

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 – IPSAS 20

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 board of trustees are regarded as related parties and comprise the Officer administering the Fund, Cabinet Secretary in charge of Finance, Cabinet Secretary in charge of Agriculture, Livestock and Fisheries and Cabinet Secretary in

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements

For the year ended 30th June 2017

NOTES TO THE FINANCIAL STATEMENTS

(Cont....)

charge of Lands and Physical Planning and secondly key management comprising of Director of Land Adjudication and Settlement and the Chief Accountant, ASF.

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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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.

l) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements****For the year ended 30th June 2017****NOTES TO FINANCIAL STATEMENTS****(Cont....)****m) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

2. Settlement revenue

	2016-2017	2015-2016
	KShs	KShs
Land – Settlement Revenue	<u>1,346,816</u>	<u>1,650,852</u>
Settlement revenue	<u>1,346,816</u>	<u>1,650,852</u>

3. Settlement interest

	2016-2017	2015-2016
	KShs	KShs
Land Loans Interest	14,872,936	1,424,762
Development Loan Interest	30,553	1,686
Other Interest	<u>513,080,700</u>	<u>958,089,565</u>
Total receivables outstanding	<u>527,984,189</u>	<u>959,516,013</u>

4. Accommodation & subsistence Allowance

	2016-2017	2015-2016
	KShs	KShs
Travel, motor car, accommodation, subsistence and other	<u>32,464,151</u>	<u>63,400,282</u>
Accommodation & subsistence Allowance	<u>32,464,151</u>	<u>63,400,282</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Repairs and maintenance

	2016-2017	2015-2016
	KShs	KShs
Property	2,030,138	<u>1,428,880</u>
Total repairs and maintenance	<u>2,030,138</u>	<u>1,428,880</u>

6. Pre-Settlement Development Costs

	2016-2017	2015-2016
	KShs	KShs
Actuarial valuations	4,643,861	3,256,019
Investment valuations	<u>8,815,323</u>	<u>26,538,717</u>
Pre-Settlement Development Costs	<u>13,459,184</u>	<u>29,794,736</u>

7. General expenses

The following are included in general expenses:

	2016-2017	2015-2016
	KShs	KShs
Admin fees	142,865,118	201,984,961
Fuel and oil	2,486,368	7,972,161
Postage	110,493	74,094
Other Expenses	20,869,093	43,021
Total general expenses	<u>166,331,072</u>	<u>210,074,237</u>

8. Finance costs

	2016-2017	2015-2016
	KShs	KShs
Borrowings (amortized cost)	<u>597,396</u>	<u>690,191</u>
Total finance costs	<u>597,396</u>	<u>690,191</u>

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements
For the year ended 30th June 2017

(Cont....)

NOTES TO THE FINANCIAL STATEMENTS

9. Cash and cash equivalents

	2016-2017	2015-2016
	KShs	KShs
Bank	652,427,300	414,822,655
Cash-on-hand and in transit	51,272	12,263
Total cash and cash equivalents	<u>652,478,572</u>	<u>414,834,918</u>

LAND SETTLEMENT FUND
Reports and Financial Statements
For the year ended 30th June, 2017
Notes to financial Statements (Cont....)

10. Receivables from non-exchange contracts

Current receivables	2016-2017	2015-2016
	KShs	KShs
Land Loans Issued	278,975,885	278,937,099
Development Loan Issued	231,832,877	231,832,877
Rescue Loans Issued	550,019	550,019
Land Loans Principal Billed	(610,055,404)	(600,434,618)
Development Loans Principal Billed	(189,149,529)	(189,092,22)
Rescue Loans Principal Billed	(240,198)	(240,198)
Cane Development Costs - Suspense	(5,139,967)	(5,139,967)
Other Recoverable Expenses	9,820,460	9,820,460
Billed Amounts - Settlers	3,494,524,091	2,957,025,616
Loan Repayment - Collection	(2,161,547,241)	(2,075,690,093)
Other Debtors - Debtors General	32,353,374	32,352,624
Trade Investment	59,263,387	59,263,387
Advances	10,567,668	10,567,668
Suspense - Debit Items	64,507,005	64,507,005
Agency Accounts (Debits)	257,000	257,000
Imprests	<u>10,406,980</u>	<u>9,797,185</u>
Total current receivables	<u>1,226,926,406</u>	<u>784,313,839</u>

LAND SETTLEMENT FUND (LSF)
NOTES TO THE FINANCIAL STATEMENTS

(Cont....)

11. Property, Plant and Equipment

	Land and Buildings	Fixed & Loose Assets	Motor Vehicles	Office Equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 July 2015	6,484,249,278	38,680,431	172,500,000	-	6,695,429,709
Additions	1,256,078,280	-	-	-	1,256,078,280
Disposals	(21,914,921)	-	-	-	(21,914,921)
Transfers/adjustmen	(324,214,407)	-	(172,500,000)	-	(496,714,407)
At 30 June 2016	7,394,198,230	38,680,431	-	-	7,432,878,660
Additions	-	-	-	-	-
Disposals	(38,787)	-	-	-	(38,787)
Transfer/adjustments	-	-	-	-	-
At 30 June 2017	7,394,159,443	38,680,431	-	-	7,432,839,874
Depreciation and impairment					
At 1 July 2013	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 June 2016	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 June 2017	-	-	-	-	-
Net book values					
At 30 June 2017	7,394,159,443	38,680,431	-	-	7,432,839,874
At 30 June 2016	7,394,198,230	38,680,431	-	-	7,432,878,660

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements****For the year ended 30th June 2017****NOTES TO THE FINANCIAL STATEMENTS (Cont...)****12. Trade and other payables from exchange transactions**

	2016-2017	2015-2016
	KShs	KShs
Reserve for Bad Debts	6,602,797	6,602,797
Provisions	11,676	11,676
Other Creditors	3,150,139	3,150,139
Accrued Interest on Loans	301,500	301,500
Suspence – Credit Items	(122,806,862)	(122,806,862)
Agency Accounts (Credits)	125,425	(41,850)
Refundable deposits from customers	93,343,385	93,343,385
Funds drawn from Treasury	<u>5,153,814</u>	<u>5,153,814</u>
Total	<u>(14,118,127)</u>	<u>(14,285,401)</u>

13. Borrowings

	2016-2017	2015-2016
	KShs	KShs
Loans Received	362,251,618	362,251,618
Loan Repayment	<u>(354,190,074)</u>	<u>(352,692,509)</u>
Loan Outstanding	<u>8,061,544</u>	<u>9,559,108</u>

14. Revenue Reserves

	2016-2017	2015-2016
	KShs	KShs
Profit and Loss Items	(1,677,768,708)	(2,161,047,247)
Prior Year adjustment	(163,085)	(172,500,000)
Surplus for the year before tax	<u>314,449,064</u>	<u>655,778,539</u>
Revenue Reserves	<u>(1,363,482,729)</u>	<u>(1,677,768,708)</u>