

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 23 JUL 2018

DAY:
TUESDAY

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BY:

MAJORITY WHIP

OF

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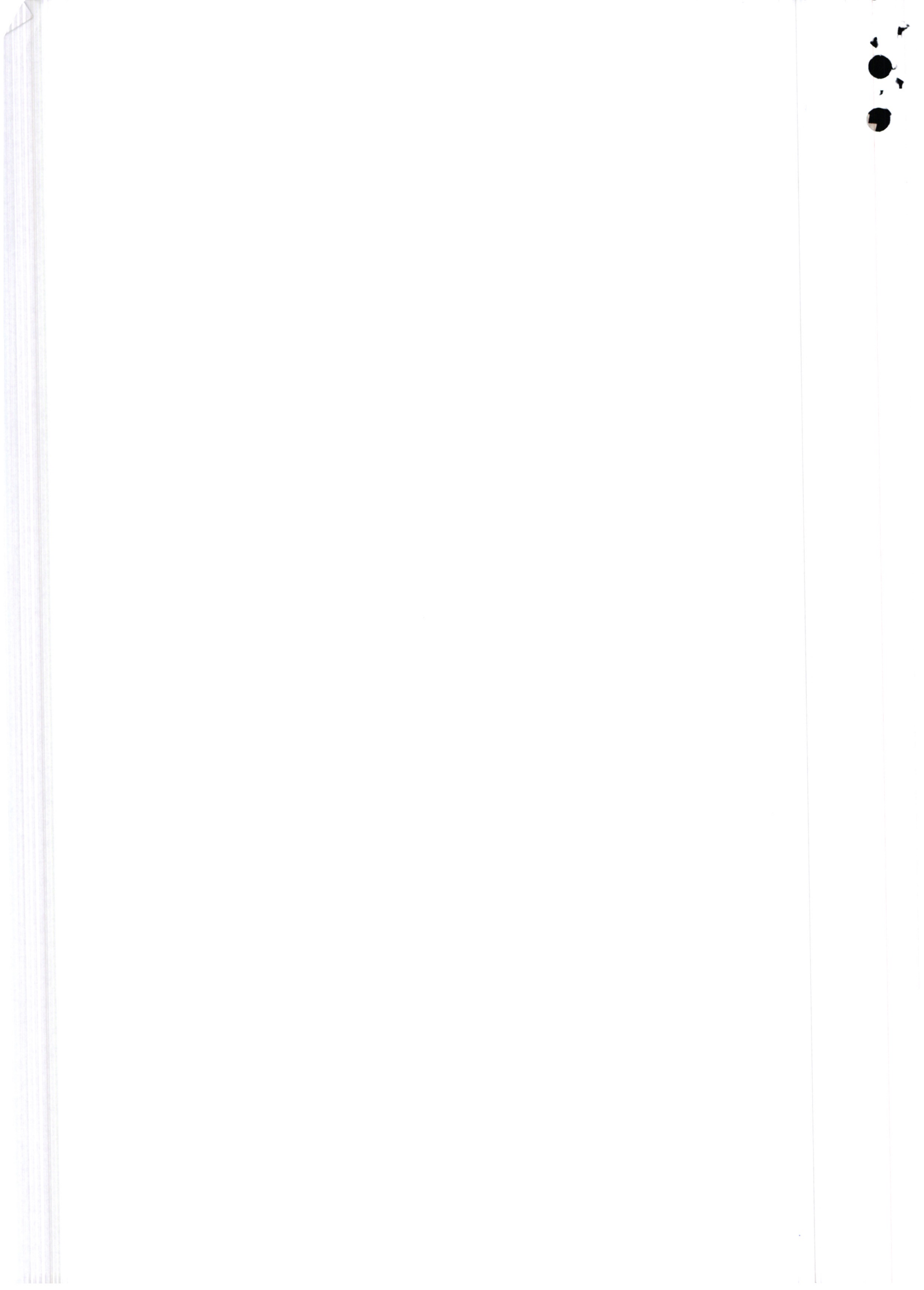
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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
LOCAL AUTHORITIES PROVIDENT
FUND**

**FOR THE YEAR
ENDED 30 JUNE 2018**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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**LOCAL AUTHORITIES PROVIDENT FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING JUNE 30, 2018**

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

Local Authorities Provident Fund

Annual Report and Financial Statements

For Period Ended 30 June 2018

I.	Key Entity Information and Management	ii
II.	The Board of Directors	v
I.	Management Team	ix
II.	Chairman’s Statement.....	xiii
III.	Report of the Chief Executive Officer	xiv
IV.	Corporate Governance Statement.....	xvi
V.	Corporate Social Responsibility Statement.....	xx
VI.	Report of the Directors	xxii
VII.	Statement of Directors’ Responsibilities.....	xxiii
VIII.	Report of the Independent Auditors on the Local Authorities Provident Fund	xxiv
IX.	Statement of Financial Performance for the Year ended 30 th June 2018	1
XII.	Statement of Financial Position as at 30 th June 2018	2
XIII.	Statement of Changes in Net Assets for the Year Ended 30 June 2018	3
XIV.	Statement of Cash Flows for the Year Ended 30 th June 2018	4
XV.	Statement of Comparison of Budget and Actual Amounts.....	5
XVI.	Notes to the financial statements for the year ended 30 th June 2018.....	6
XVII.	Progress on Follow up of Auditor Recommendations	24

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

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

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

(c) Key Management

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

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

Local Authorities Provident Fund

Annual Report and Financial Statements

For Period Ended 30 June 2018



(e) Fiduciary Oversight Arrangements

LAPFUND has put in place key fiduciary oversight arrangements covering:

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

(f) Head Quarters

P.O. Box 79592 - 00200
8th Floor, JKUAT Towers,
Kenyatta Avenue
Nairobi, KENYA

(g) Contacts

Telephone: +254 709 805000, +254 7098100

E-mail: info@lapfund.or.ke

Website: www.lapfund.or.ke

Branches

Mombasa (Coast Zone Office)

2nd Floor, Imara Building
Dedan Kimathi Road

Mombasa

mombasaoffice@lapfund.or.ke

Nakuru (South Rift Region Office)

1st Floor, Polo Centre
Kenyatta Avenue

Nakuru

nakuruoffice@lapfund.or.ke

Kisumu (Western Zone Office)

2nd Floor, Almran Plaza
Oginga Odinga Street

Kisumu

kisumuoffice@lapfund.or.ke

Nyeri (Central Region Office)

1st Floor, Fortress House
Kimathi Way

Nyeri

nyerioffice@lapfund.or.ke

Isiolo (Upper Eastern Region Office)

Desert Trail Building
Isiolo-Marsabit Main Road

Isiolo

isiolooffice@lapfund.or.ke

Garissa (North Eastern Region Office)

Lilac Centre,
1st Floor – Off Kismayu Road

Garissa

garissaoffice@lapfund.or.ke

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

(h) Bankers

Co-operative Bank of Kenya Limited

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

Kenya Commercial Bank

Kipande House Branch
P.O Box 27618 – 00506
Nairobi, Kenya

National Bank of Kenya

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

NIC Bank

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

Independent Auditors

Auditor General

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

Our Vision

To Be the Leading Retirement Benefits Scheme in
Kenya, Providing Secured Retirement

Our Mission

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

Our Core Values

In an endeavour to realize our vision and mission,
LAPFUND is guided by the following core values

- i) Customer focus
- ii) Teamwork
- iii) Continuous improvement
- iv) Professionalism and integrity

THE BOARD OF DIRECTORS



Hon Lewis Nguyai
Board Member

Hon. Lewis brings a wealth of experience from various executive roles both in Public & Private Sectors spanning over 25years. He is the immediate past Assistant Minister for Local Government and Member of Parliament of Kikuyu Constituency. Currently, he is the Executive Chairman of Finance Plan Limited and Executive Chairman of the First Choice Global based in Kenya & the USA.

Hon. Lewis holds a BA majoring in Economics and Mathematics alongside a Global Executive MBA in Strategic Management offered jointly by the USIU Nairobi and Columbia University of Business School (New York).



Mr. Elijah Kau Lopuke
Board Member

Mr Lopuke holds a Master of Arts Degree in Education Administration from the Michigan University of the USA and is currently a PHD Student at Kisii University. He has a wealth of experience of over 20 years having worked in various institutions holding different senior positions.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018



Mr. Yunis Haji Omar Mohamed
Board Member

Mr. Yunis who holds Post Graduate Diploma from the Kenya School of Law and BA LLB (Honours) from the University of Nairobi has working experience of over 25years in the Legal and Management.

He is currently a sole partner in his Law Firm which specialises in Joint Ventures, Mergers and Acquisitions, Property and Real Estate and Immigration



Mrs. Mary Namubuya Murongoro
Board Member

Mrs Murongoro is a Long serving Trade Unionist She is the National Chairperson KCGWU, National Executive Member KCGWU and Chairperson Kimilili Municipal Council Workers Union.

She holds a Diploma in Civil Engineering from the Kenya Polytechnic and a Diploma in Public Relations from the Foundation Institute of Professionals

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018



**Mr. Simon Leboo Ole Morintat, OGW
Board Member**

Mr Monritat has hands on experience of over 24years in Management of Public Affairs and Administration. Currently, he is the County Chief Officer (PS) in Charge of Public Service Management at the Nairobi City County Government. He has also served as the Deputy Town Clerk Nairobi County and Town Clerk in Various Local Authorities.

He holds MBA in Strategic Management and BA in Government and Public Administration from the Moi University Eldoret.

Mr. Leboo has been LAPFUND contributing member number 15194 for the last 25 years.



**Dr. Beatrice Sabana
Board Member**

Dr. Sabana holds a PHD in Business Administration from the University of Nairobi, Master of Business Administration from the University of Leeds U.K and Bachelor of Education Majoring in Business and Economics from the University of Nairobi.

Dr. Sabana has a wealth of experience in both Public and Private Sector. She is a career Educationist, Banker and Microfinance Specialist. She is the founder Director of the Kenya Private Sector Alliance, Vice Chairperson of the Kenya Institute of Management and a founding Director of the New Partnership for Africa's Development (NEPAD). She has worked with World Bank/CGAPP Funded Microfinance Capacity Building Project, carried out extensive Consultancy work in rural finance in Africa and served as the Chief Executive Officer of the Association of Microfinance Institutions



Mr. David Koross
Chief Executive Officer and Secretary to Board

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

He has a wide area of expertise in Marketing, Financial Management and Reporting, Customer Management, Pension Schemes Regulation and Administration.

Mr. Koross served as a Director of CDF Board for 3 years until 2014.

I. Management Team



Mr. David Koross
Chief Executive Officer
MBA, BA Economics



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



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



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



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



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



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



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



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



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



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



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



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

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Chairman's Statement

The Financial Year 2017/2018 was a positive year for LAPFUND delivering further strategic progress and culminating in a successful renewal with an increased membership, underpinned by a good financial performance. We achieved this growth by implementing our strategic objectives including: increase members' satisfaction, grow fund value, improved technology and good corporate governance.

On behalf of the Board of Directors, it is my pleasure to present to you the LAPFUND's financial statements for the quarter ended 30th June 2018.

Investment environment is looking up with a stable GDP growth in 2018. This is attributed to less political risk and better weather leading to continued expansion in the agricultural sector. According to World Bank projections, economic growth will accelerate to 6.01% in 2019 from 5.5% in 2018.

The Board is mindful of its role and guardian of LAPFUND members and sponsors funds. We will continue to monitor each of the investments portfolio and operations to ensure that LAPFUND is the most appropriate retirement scheme. The Board will continue to develop LAPFUND's strategy with its focus on our core mandate particularly given the context of the highly competitive environment in which we operate. We will ensure proper investments with the objective of generating high returns for shareholders.

The Government of Kenya has outlined four big priority areas for the next four years. These are agricultural and food security, affordable housing, increased share of manufacturing, and universal health coverage. In support of this, LAPFUND has put in place plans to build 1,000 affordable units to support the Affordable Housing Agenda.

On financial performance, LAPFUND has continued with an upward growth trend. In our concerted efforts to ensure, our members receive improved returns on their retirement savings as well as timely payment of benefits.

I would like to thank the management and staff of LAPFUND for the excellent performance achieved in the financial year 2017/2018.

To our stakeholders, we are grateful for the continued support and confidence you have in LAPFUND. We promise to keep improving for a better future.

I also take this opportunity to express my gratitude to the Board members for their important contributions during the financial year 2017/2018.

I look forward to continued cohesiveness and synergy in the coming new financial year.

Thank you.



Hon. Lewis Nguyai
Board Member

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Report of the Chief Executive Officer

Dear Stakeholders,

It has been an exciting year for LAPFUND having ventured into new markets with our new products LAPFUND Amal, Imarisha Maisha, Umma and Ufanisi. This has led to a positive member growth and greatly contributed in achieving our mandate to secure retirement by managing and investing in our members' contributions.

It gives me great pleasure to present LAPFUND's financial statement for the quarter ended 30th June 2018.



Performance Highlights

During the quarter under review;

- Member contributions increased by 11% from 4.97bn in FY 2016_17 to 5.53bn. The increase was attributed to aggressive recruitment in counties leading to increased contributions.
- Benefits paid during the year increased by 96% from 2.74bn in FY 2016_17 to 5.39bn. The increase is attributed to payments of gratuity and voluntary benefits to Members of County Assembly and the County Executives whose term of service ended after the last General Election in August 2017.
- Investments income during the period decreased by 28% from 1.1bn in FY 2016_17 to 0.83bn during the period under review. The decline is attributed to:
 - i) Reduced level of investments as funds were used to finance payment of benefits due to exiting members of County Assemblies and County Executives.
 - ii) Stock market performance was affected by prolonged electioneering period in the Country
- Administrative costs increased by 25% from 689m in FY2016_17 to 864m in 2017_2018. This was attributed to increased marketing costs incurred in the introduction of new products and the aggressive marketing activities, which were undertaken.
- Fund value increased by 2% from 31.1bn in FY2016_17 to 31.8bn in 2017_2018. The slight increase was attributed to increase in contributions as members recruited exceeded the ones exited.

Achievements

LAPFUND has moved a mile ahead to introduce new products in addition to its traditional products. This was dictated by constant changes in the market demand. The new products include: Sharia Compliant Product (AMAL), Imarisha Maisha (Informal Sector), Ufanisi (Private Sector) and Umma (Public Sector).

In term of technology, we are proud to have made the web Member Portal accessible to all our members. The portal enables members to access and track their contributions online.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Outlook

We remain focused and committed to our strategy to continue delivering growth to our members. We continue to be innovative and improve service delivery in the following ways;

a) Big Four Agenda

In support of the Government of Kenya Big Four priorities, LAPFUND plans to build 1,000 affordable units to support the Affordable Housing Agenda.

We also intend to introduce Post –Retirement Health Cover product which will contribute to universal health coverage, another key area in the Big Four. This product will go a long way in assisting members to access health services after attaining retirement age.

b) Online Platforms

LAPFUND intends to fulfil the Economic Pillar of Vision 2030 by developing online platforms through an integrated mobile money transfer platform. This will enable members to send money and access their accounts through USSD and Android Application.

c) Expansion of branch networks

We aim at improving our presence in over 30 counties across the county, which will bring services closer to our members and improve customer focus.

Conclusion

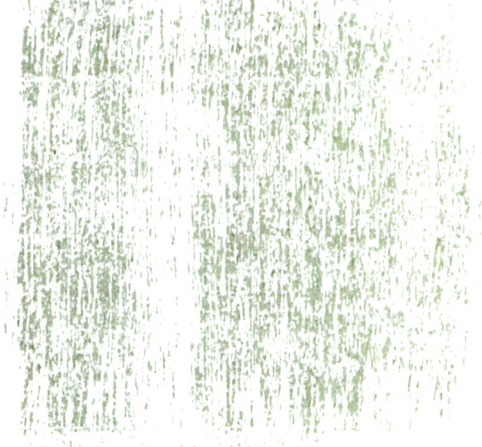
In spite of the difficult operating environment both legal and political times due to the past electioneering period, LAPFUND returned impressive results and we are confident of better performance going forward.

I take this opportunity to thank the Board for their swift response to management requests by approving policies and strategies, management and staff for their commitment, dedication and support and particularly their service to our members.

Thank you and May God bless you all.



David Koross
Chief Executive Officer



CORPORATE GOVERNANCE STATEMENT

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

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

The Board of Directors

The Board is currently comprised of 6 members following the resignation of Board chairman and one non-executive member during the year under review and a secretary who is the Chief Executive Officer. Board members and Board Chairperson were appointed by the Cabinet Secretary, The National Treasury, through gazette notice no. 7385 and 1467, dated 2nd October 2015 and 9th March 2016 respectively, for a period of three years from the date of appointment.

The Board ensures that proper standards of corporate governance are maintained and have an oversight role over the management of the Fund, not only through the Board meetings but also through the various Board Committees. The Board had three ordinary meeting and two special meetings.

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

Board Members also enter into a Performance Contract every financial year with the government to evaluate its Performance against set targets.

The Committees of the Board

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

A) Strategy, Finance and Investment Committee

The purpose of the Strategy, Finance and Investment Committee is to determine and advise on all matters relating to finance and investment. The Committee is constituted by the Board and their responsibilities include:

- i. Developing the Investment policy document, Reviewing the strategic asset allocation targets for the prudent investment of members contributions and investment incomes
- ii. Conduct quarterly review of LAPFUND's investment structure and the asset allocations,

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

- iii. Reviewing and recommending an annual operating budget and annual capital budget consistent with the long-range financial plan and financial policies,
- iv. Reviewing the financial aspects of major proposed transactions, new programs and services, as well as proposals to discontinue programs or services, and making action recommendations to the board and
- v. Reviewing Financial Regulations of LAPFUND periodically and align the same to the requirements of the Public Financial Management and the regulations thereon from time to time.

The Strategy, Finance and Investment Committee are composed of the following members.

S/N	Name	Position	Nationality
1	Hon. Lewis Nguyai	Chairperson	Kenyan
2	Mr. Yunis Haji Mohamed	Member	Kenyan
3	Mr. Simon Leboo Ole Morintat, OGW	Member	Kenyan
4	Ms. Jane Wambugu	Member	Kenyan
5	Mr. David Koross	Member	Kenyan

B) Human Resources and Governance Committee

Objectives

The objectives of the Human Resources Committee are;

- i. To oversee management assessment, succession and compensation matters in accordance with these Terms of Reference. The primary function of the Committee is to oversee, review, and recommend appropriate and effective human resource policies, strategies, processes and plans of the organization.
- ii. The Committee further ensures that the company has an effective organizational structure, competitive human resources, compensation policies and practices
- iii. Reviews and recommends for approval overall employee compensation philosophy and policies, including all bonus plans and other short- and long-term compensation arrangements.

The committee comprise of the following members;

Local Authorities Provident Fund

Annual Report and Financial Statements

For Period Ended 30 June 2018

S/N	Name	Position	Nationality
1	Mr. Yunis Haji Mohamed	Chairperson	Kenyan
2	Dr. Beatrice Sabana	Member	Kenyan
3	Mr. Elijah Lopuke	Member	Kenyan
4	Ms. Mary Murongoro	Member	Kenyan
5	Mr. Simon Leboo Ole Morintat, OGW	Member	Kenyan
6	Ms. Jane Wambugu	Member	Kenyan
7	Mr. David Koross	Member	Kenyan

C) Risk, Audit & Compliance Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the responsibility of assisting the Board of Directors perform its role in:

- i. Providing oversight over financial and compliance, reporting and disclosure process, results of the process and also providing additional assurance regarding the quality and reliability of both the financial and operating information;
- ii. The Committee further evaluates the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of risks;
- iii. Reviewing with Management and External Auditors the annual financial statements to determine whether they are complete, consistent with the information known to Committee members and reflect appropriate accounting principles.

The committee is composed of the following members

S/N	Name	Position	Nationality
1	Dr. Beatrice Sabana	Chairperson	Kenyan
2	Mr. Elijah Lopuke	Member	Kenyan
3	Ms. Mary Murongoro	Member	Kenyan
4	Ms. Jane Wambugu	Member	Kenyan
5	Mr. David Methu	Member	Kenyan

Board Induction and Training

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

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Attendance in the Board and Committee meetings

During the financial year, the attendance of individual Board members in the scheduled meetings is as shown below:

	Board	Finance, Strategy and Investments	Human Resource and Governance	Audit, Risk and Compliance
Number of Scheduled Meetings	5	5	10	5
1 Hon. Lewis Nguyai	5	5	N/A	N/A
2 Dr. Beatrice Sabana	5	N/A	8	5
3 Mary Nambuya Murongoro	5	N/A	10	5
4 Elijah Lopuke	5	N/A	10	5
5 Yunis Omar Mohammed	5	5	10	N/A
6 Simon Morintat Leboo	5	5	10	N/A
7 Ms Jane Wambugu	1	1	1	4

NOTE: Ms. Wambugu's letter indicates her appointment in May 2017 but we received the appointment letter in our office in August 2018

CORPORATE SOCIAL RESPONSIBILITY STATEMENT(CSR)

Corporate social responsibility forms part of important activities of LAPFUND. The Fund ensures that all its operations are undertaken in a socially and environmentally responsible manner. The Fund has extended its hand to different needy groups and impacted positively on society and its environment. The involvement in social responsibilities enhances its values and improves its image to the public. During the year under review, The Fund supported different community-based activities by way of donations.

During the Financial Year, LAPFUND engaged in the following CSR activities:

i. Environment Conservation

- With the rise of deforestation in the country, which has led to severe climate change negatively, LAPFUND joined in the campaign to save the environment by planting 100 trees and 100 flowers at Moi Avenue Primary School in Nairobi County. The school was viewed as a suitable location and venue for the tree-planting exercise considering:
 - a. The school is within the CBD and is exposed to air pollution.
 - b. The compound needed shade for the pupils as well as beautification.
 - c. The school is very exposed and the trees surrounding the school will provide a bit of privacy.



FIG.1 Officer of LAPFUND and pupils of Moi Primary School during the tree planting exercise

- LAPFUND Donated 4500 tree-seedlings consisting of indigenous trees, fruits, gravellier and pine tree seedlings; all valued at Ksh.205,000 for the 5 wards with the least forest cover in Taita Taveta County.



FIG. 2 Officers of LAPFUND present tree seedlings to Hon. Mwandawiro Mganga in Taita Taveta County.

- We sponsored Tree planting exercise in Siaya County, a total of 20,000 seedlings were planted to boost tree and forest cover. The activity was also in view of client retention and relationship management.

ii. Humanitarian support

LAPFUND visited Mama Fatuma Goodwill Children’s Home where we donated Kshs. 200,000 during the Holy month of Ramadhan and purchased foodstuff worth Kshs. 50,000. Mama Fatuma is a registered children institution with National Council for children services in the Ministry of Labour, Social Security and Services.



FIG. 3: Officers of LAPFUND presenting Cheque and Foodstuff to Mama Fatuma Goodwill Children’s Home.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of LAPFUND's affairs.

Principal activities

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

Results

The results for the year ended June 30, 2018 are set out on page 1

Directors

The members of the Board of Directors who served during the year are shown on page v. The tenure of the entire members of the Board started on 02nd October 2015.

Dividends/Surplus Remission

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

Auditors

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

By Order of the Board



David Koross
Secretary to the Board and Chief Executive Officer
Nairobi

Date:

27/02/2019

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Statement of Directors' Responsibilities

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


The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the transactions during the financial year ended June 30, 2017, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that LAPFUND 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 financial statements were approved by the board on 27th September 2018 and signed on its behalf by:



Chief Executive Officer



Director



Director

REPUBLIC OF KENYA

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



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Local Authorities Provident Fund set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2018, the statement of income and expenditure, the statement of changes in reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Local Authorities Provident Fund 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 Local Authorities Provident Fund Act, (Cap 271) and the Retirement Benefits Authority Act 1997.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI). I am independent of Local Authorities Provident Fund 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 Matter

1. Mariakani Estate Nairobi

Local Authority Provident Fund started collecting rent from tenants of Mariakani Estate – Nairobi during the financial year 2016/2017 after the court case was settled. However the

Local Authorities Provident Fund - Annual Report and Financial Statements for the year ended 30 June 2018

recovery of the accrued rent arrears of Kshs.64,800,000 that had been collected by the County Government of Nairobi has not been successful.

2. Makasembo Estate – Kisumu

The court case concerning the continued collection of rent by National Housing Corporation (NHC) from tenants of Makasembo Estate is yet to be concluded/ determined by the court by 30 June 2018 and National Housing Corporation did not remit the collected rent for the year to LAPFUND amounting to Kshs.1,452,000. The total accrued rent income from the property which had been earned but not received since the transfer of the property by the defunct Kisumu Municipal Council to LAPFUND stood at Kshs.10,527,000 as at 30 June 2018. The defunct Kisumu Municipal Council failed to service undetermined debt arising from the construction of the Estate houses by National Housing Corporation and thus the reason National Housing Corporation moved in to collect rent to recover the debt. However, management has explained that a tripartite negotiation between National Housing Corporation, County Government of Kisumu and Local Authorities Provident Fund has been initiated to resolve the dispute.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, except for the matter described in the “other matter” section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

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

Responsibilities of Management and 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 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 liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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

21 February 2019

Statement of Financial Performance for the Year ended 30 June 2018

		2017/2018 <u>'000'</u>	2016/2017 <u>'000'</u>
Revenue from non-exchange transactions			
Revenue attributable to members	3	2,512,077	2,366,836
Revenue from exchange transactions			
Finance income - external investments	4	838,687	1,172,814
Other income	5	3,132	2,757
Total Revenue		<u>3,353,896</u>	<u>3,542,407</u>
Expenses			
Employee costs	6	257,387	140,562
Board Costs	7	43,733	62,904
Depreciation and amortization costs	8	3,045,124	632,297
Repairs and maintenance	9	4,534	3,414
Contracted services	10	167,905	154,820
General expenses	11	390,768	327,530
Total expenses		<u>3,909,452</u>	<u>1,321,527</u>
Other gains/ (losses)			
Unrealized gain on fair value of investments	12	313,047	217,746
Total other gains/ (loses)		<u>313,047</u>	<u>217,746</u>
Administrative recharges	15	864,328	689,229
Surplus		<u>621,818</u>	<u>3,127,855</u>

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

XII. Statement of Financial Position as at 30 June 2018

		2017/2018	2016/2017
		<u>'000'</u>	<u>'000'</u>
Assets			
Current assets			
Cash and cash equivalents	13	45,076	52,831
Receivables from exchange transactions	14	632,643	524,363
Receivables from non-exchange transactions	15	806,494	661,792
Current Investments	19	1,840,040	3,786,781
		<u>3,324,252</u>	<u>5,025,767</u>
Non-current assets			
Motor Vehicles, Plant & Equipment	16	67,370	42,030
Intangible assets	17	-	1,038
Non-current investments	19	20,384,610	19,418,329
Long term receivables from non-exchange transactions	15	739,199	612,962
Long term receivables from exchange transactions	14	7,275,396	6,030,172
		<u>28,466,575</u>	<u>26,104,531</u>
Total assets		<u>31,790,828</u>	<u>31,130,298</u>
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	18	115,044	76,333
Total Liabilities		<u>115,044</u>	<u>76,333</u>
Net Assets		<u>31,675,783</u>	<u>31,053,965</u>
Reserves		57,550	57,550
Accumulated surplus		31,618,233	30,996,415
		<u>31,675,783</u>	<u>31,053,965</u>
Total Net Assets and Liabilities		<u>31,790,828</u>	<u>31,130,298</u>

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



Chief Executive Officer
 David Koross

Date 27/02/2019



Chairman of the Board
 Lewis Nguyai

Date 27/02/2019

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

XIII. Statement of Changes in Net Assets for the Year Ended 30 June 2018

Attributable to members of LAPFUND	Reserve fund	Accumulated surplus	Total
	<u>'000'</u>	<u>'000'</u>	<u>'000'</u>
Balance as at 30 June 2016	57,550	27,868,560	27,926,110
Surplus/(deficit) for the period	-	3,127,855	3,127,855
Balance as at 30 June 2017	<u>57,550</u>	<u>30,996,415</u>	<u>31,053,965</u>
Surplus for the period		621,818	621,818
Balance as at 30 June 2018	<u>57,550</u>	<u>31,618,233</u>	<u>31,675,783</u>

XIV. Statement of Cash Flows for the Year Ended 30 June 2018

	2017/2018 '000'	2016/2017 '000'
Cash flows from operating activities		
Receipts		
Contributions received	5,525,858	4,969,267
Investment income	838,687	1,172,814
Other income	3,132	2,757
	<u>6,367,676</u>	<u>6,144,838</u>
Payments		
Benefits paid	5,386,614	2,741,907
Employee costs	257,387	140,562
Board Costs	43,733	62,904
Purchase of goods and services	557,357	479,914
Total payments	<u>6,245,092</u>	<u>3,425,287</u>
Net cash flows from operating activities	<u>122,584</u>	<u>2,719,551</u>
Cash flows from investing activities		
Purchase of plant and equipment	98,581	32,264
Purchase of property	2,343,875	5,141,181
Net investments	<u>(2,312,116)</u>	<u>(2,363,258)</u>
Net cash flows used in investing activities	<u>130,340</u>	<u>2,810,187</u>
Net increase in cash and cash equivalents	<u>(7,756)</u>	<u>(90,636)</u>
Cash and cash equivalents at 1 July	<u>52,832</u>	<u>143,468</u>
Cash and cash equivalents at 30 June	<u>45,076</u>	<u>52,832</u>

Local Authorities Provident Fund

Annual Reports and Financial Statements
For the Year Ended 30th June 2018



XV. Statement of Comparison of Budget and Actual Amounts

	Note	Original budget '000'	Final budget '000'	Adjustments '000'	Actual on comparable basis '000'	Performance difference '000'	% Variance
Income							
Net revenue attributable to members:	1	16,063,785	1,196,434	(14,867,351)	2,512,077	1,315,643	110 %
Investment Income	2	2,319,482	1,060,031	(1,259,451)	838,687	(221,345)	(21) %
Change in fair value of assets	3	74,415	239,521	165,107	313,047	73,526	231 %
Other incomes	4	1,934	2,954	1,019	3,132	178	6 %
Total Income		18,459,616	2,498,940	(15,960,677)	3,666,943	1,168,003	47 %
Expenses							
Employee costs	5	735,091	270,889	(464,203)	257,387	13,501	(5) %
Remuneration of board members	6	40,727	40,964	237	43,733	(2,769)	7 %
Repairs and Maintenance	7	3,387	3,771	384	4,534	(763)	20 %
Contracted Services	8	206,177	167,616	(38,561)	167,905	(289)	0 %
General Expenses	9	1,514,456	533,159	(981,297)	390,768	142,391	(27) %
Total expenses		2,499,839	1,016,399	(1,483,440)	864,328	152,071	(15) %
Surplus for the period		15,959,777	1,482,541	(14,477,236)	2,802,616	1,015,932	89 %

Note	Description
1	The net revenue attributable to members increased by 110% compared to the final budget. However, it was below the original budget since implementation of the business plan did not take off as anticipated
2	Investment income declined by 21% due to withdrawals to: i) Investment market performance was affected by the long political situation in the country ii) Increased payment of benefits to retirees whose retirement period came to an during the financial year iii) Recalling of funds to finance payment of gratuity benefits to Members of County Assemblies and Executives
3	Change in fair value of assets has improved by 231% due to the gain in value of Equities and Government Bonds
7	Repairs and maintenance rose by 20% from the final budget due to increased repairs of the motor vehicles
9	The general expenses declined by 27% compared to the final budget. This was as a result of delayed implementation of the business plan as anticipated.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements for the year ended 30 June 2018.

1. General information

Local Authorities Provident Fund (LAPFUND) is established and derives its authority and accountability from the law of Kenya, The Local Authorities Provident Fund Act, CAP 272, of 5th of July 1960. LAPFUND is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activities of LAPFUND as stipulated in CAP 272 is to establish a provident fund for certain employees of Local Authorities; to provide for contributions to the fund by such employees and authorities, and for the administration of the fund by a Local Authorities Provident Fund Board; and for matters incidental thereto and connected therewith.

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

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

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

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

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

3. Adoption of new and revised standards

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

Standard	Impact
IPSAS 39:	Applicable: 1st January 2018
First time adoption of Accrual Basis IPSAS	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.

LAPFUND operates a provident fund for its employees. The pension

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Standard

Impact

liabilities thus do not apply.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

IPSAS 40:

Public Sector
Combinations

Applicable 1st January 2019

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.

- iii. Early adoption of standards

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

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Member Contributions and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Interest income

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

Rental income

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

iii) Benefit Payable.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of LAFPUND. 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

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

d) Investment property – IPSAS 16

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

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

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

e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, 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 repairs and maintenance are charged to the statement of changes in net assets during the financial period in which they are incurred

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

f) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

g) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. LAPPFUND 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 LAPPFUND has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Amortized Costs

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

h) Provisions – IPSAS 19

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

Where 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.

Contingent liabilities

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

Contingent assets

LAPFUND does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of 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.

i) Nature and purpose of reserves

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

Reserves

LAPFUND has reserve fund which was established to take into account any potential future diminution in value of assets and also used for transfer of interests to members in case member's balances exceeds the surplus for the year. The entity has found it prudent to transfer these reserves to accumulated surplus which the Entity has recognized as retrospective change of accounting policies.

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

j) Changes in accounting policies and estimates – IPSAS 3

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

k) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

l) 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.

m) Related parties Transactions – IPSAS 20

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

i	Loans due from related parties	Ksh '000'
	Loans advanced to management	58,157
	Loans to management carry 3% interest. Difference between interest charged by LAPFUND and the statutory rate as per Sec 27(1) b of Income Act of 2004 is compensated by taxed loan benefit received. The loans advanced to management are recovered through their salaries.	
	Contributions due from County Governments, Water companies and other companies	Ksh '000'
ii	County Governments	14,938,027
	Water Companies	893,617
	Other Companies	176,448
	Total	16,008,092
iii	Remuneration to Board members	43,733
iv	Receipts from related parties	Ksh '000'
	County Governments, water companies and other companies	5,525,858
	Staff repayment loans	7,768
	Total	5,533,626

Management personnel are described as those persons having authority and responsibility for planning, directing and controlling LAPFUND.

n) Service concession arrangements – IPSAS 32

LAPFUND analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, LAPFUND recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, LAPFUND also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

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. The judgements, estimates and assumptions made include;

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 8.

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

LAPFUND makes provision for;

i) Depreciation

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

Motor Vehicles	50%	Office Equipment and Furniture	50%
Computers	50%	Fixture and Fittings	50%

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

ii) Bad & Doubtful Debts

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

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

	2017/2018 '000'	2016/2017 '000'
3 Revenue attributable to members		
Contributions	5,525,858	4,969,267
Less: Benefits to members		
Terminal benefits	5,327,631	2,707,296
Group life benefits	58,984	34,611
Net Contributions due	139,243	2,227,360
Levies on outstanding contributions	2,372,834	139,476
Revenue attributable to members	2,512,077	2,366,836
4 Finance income - external investments		
Fixed income		
Government Bonds	413,560	639,306
Treasury Bills	153,579	200,469
Fixed deposits	21,321	42,625
Corporate bonds	92,447	82,355
	680,907	964,755
Dividend income		
Investments in quoted equities	114,414	160,308
	114,414	160,308
Gain on sale of investments		
(Loss)/Gain on sale of quoted shares	5,744	10,882
	5,744	10,882
Property Income		
Rental incomes	36,392	36,869
	36,392	36,869
Total finance income - external investments	837,456	1,172,814
5 Other income		
Interest on loans to staff	3,132	2,171
Deposit Refunds & Adverts in the Fund Magazine	-	41
Disposal of assets	-	545
Total other income	3,132	2,757

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

	2017/2018 <u>'000'</u>	2016/2017 <u>'000'</u>
6 Employee costs		
Salaries and wages	145,328	78,898
Contributions to Pension	26,321	13,789
Contributions to medical aids	19,093	13,178
Commuter and other allowances	29,198	15,845
Gratuity	6,140	-
Housing benefits and allowances	31,307	18,852
Total employee costs	<u>257,387</u>	<u>140,562</u>
7 Board Costs		
Chairman Honoraria	-	850
Meeting costs	13,691	6,896
Medical aid contributions	1,214	1,094
Travel, conferences and other costs	28,829	54,064
Total board members' remuneration	<u>43,733</u>	<u>62,904</u>
8 Depreciation, amortization and provision costs		
Plant and equipment	73,241	17,004
Intangible assets	1,039	891
Total depreciation	<u>74,280</u>	<u>17,895</u>
Administrative recharges amortized	598,011	474,927
Provision for doubtful debts	2,372,834	139,476
Total amortization costs and provisions	<u>2,970,845</u>	<u>614,403</u>
Total depreciation, amortization and provisions	<u>3,045,124</u>	<u>632,298</u>
9 Repairs and maintenance		
Equipment	974	945
Vehicles	1,807	1,340
General Office Repairs	1,753	1,129
Total repairs and maintenance	<u>4,534</u>	<u>3,414</u>

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

	2017/2018 <u>'000'</u>	2016/2017 <u>'000'</u>
10 Contracted services		
Investment management fees	23,861	24,961
Custodial fees	11,196	18,800
Property valuations	-	1,830
Debt collection fees	38,332	47,761
Performance contracting costs	94,776	61,468
Total contracted services	168,166	154,820
11 General expenses		
Audit fees	850	850
Corporate and public relations	56,413	48,778
Fees and levies	5,000	5,000
Investment procurement costs	3,119	8,848
Legal Expenses	3,609	12,366
Member Education & Recruitment Costs	153,411	103,857
Office running costs	81,046	63,916
Telecommunication	10,073	3,862
Employee development	72,994	72,101
ICT Costs	818	6,989
Bank Charges	1,942	963
Total general expenses	389,276	327,530
12 Unrealized gain/ (loss) on fair value of investments		
Government bonds investments	15,891	164,029
Quoted shares investments	297,156	53,717
Net unrealized loss	313,047	217,746

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

		2017/2018 <u>'000'</u>	2016/2017 <u>'000'</u>
13	Cash and cash equivalents		
	Cash in Bank	44,952	52,365
	Cash-on-hand	93	132
	Cash on transit	31	334
	Total cash and cash equivalents	<u>45,076</u>	<u>52,831</u>
13(a)	Cash and cash equivalents		
	a) Current Account		
	Cash in Bank		
	Co operative Bank Operation	011 361 982 45400	5,174
	Kenya Commercial Bank - Operations Account	114 921 2292	9,183
	Co-operative Bank - Collection Account	011 361 982 45401	3,649
	Kenya Commercial Bank - Collection Account	1114898767	10,605
	National Bank of Kenya - Collection	0100200903700	11,611
	NIC Bank	1002063316	4,730
	Sub- Total	<u>44,952</u>	<u>52,365</u>
	b) Others		
	Cash-on-hand		
	Petty Cash Nairobi	18	25
	Petty Cash Kisumu	12	19
	Petty Cash Nyeri	11	49
	Petty Cash Mombasa	13	27
	Petty Cash Nakuru	7	9
	Petty Cash Wajir	10	-
	Petty Cash Isiolo	4	4
	Petty Cash Garissa	6	-
	Petty Cash Board	7	-
	Petty Cash Mavoko	5	-
	Sub- Total	<u>93</u>	<u>133</u>
	Cash on transit		
	Golfview Mpesa Pay bill	31	334
	Sub- Total	<u>31</u>	<u>334</u>
	Total cash and cash equivalents	<u>45,076</u>	<u>52,831</u>

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

	2017/2018 '000'	2016/2017 '000'
14 Receivables from exchange transactions		
Current receivables		
Contributions due	632,643	524,363
Total current receivables	<u>632,643</u>	<u>524,363</u>
Non-current receivables		
Contributions due	16,008,092	12,281,753
Less: impairment allowance	<u>(8,100,053)</u>	<u>(5,727,219)</u>
	7,908,039	6,554,534
Current portion transferred to current receivables	<u>(632,643)</u>	<u>(524,363)</u>
Total non-current receivables	<u>7,275,396</u>	<u>6,030,171</u>
Total receivables	<u>7,908,039</u>	<u>6,554,534</u>
15 Receivables from non-exchange contracts		
Current receivables		
Administrative re-charges due	864,328	689,229
Less: impairment allowance	<u>(172,866)</u>	<u>(137,846)</u>
Total current receivables	<u>691,462</u>	<u>551,383</u>
Staff loans	113,917	109,111
Other debtors	1,115	1,298
Total current receivables	<u>806,494</u>	<u>661,792</u>
Non-current receivables		
Administrative re-charges due	4,304,828	3,440,501
Less: impairment allowance	<u>(2,874,167)</u>	<u>(2,276,156)</u>
	1,430,661	1,164,345
Current portion transferred to current receivables	<u>(691,462)</u>	<u>(551,383)</u>
Total non-current receivables	<u>739,199</u>	<u>612,962</u>
Total non-current receivables	<u>739,199</u>	<u>612,962</u>
Total receivables	<u>1,545,693</u>	<u>1,274,754</u>

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

16 Property, plant and equipment

	Motor Vehicle	Computer and Equipment	Furniture and Fittings	Total
Cost	'000'	'000'	'000'	'000'
At 1 July 2016	26,172	121,471	134,032	281,675
Additions	24,754	2,697	4,813	32,264
Disposals	(293)	(5,863)	-	(6,156)
At 30 June 2017	50,633	118,305	138,845	307,783
Additions	24,594	9,314	64,673	98,581
Disposals	-	-	-	-
At 30 June 2018	75,227	127,619	203,518	406,364
Depreciation and impairment				
At 1 July 2016	26,172	108,298	120,435	254,905
Depreciation	-	7,026	9,978	17,004
Disposals	(293)	(5,863)	-	(6,156)
At 30 June 2017	25,879	109,461	130,414	265,753
Depreciation	24,674	10,206	38,362	73,241
Disposals	-	-	-	-
At 30 June 2018	50,553	119,667	168,775	338,995
Net book values				
At 30 June 2018	24,674	7,953	34,743	67,370
At 30 June 2017	24,754	8,844	8,431	42,029

17 Intangible assets - software

Cost	
At 1 July 2016	25,563
Additions	-
At 30 June 2017	25,563
Additions	-
At 30 June 2018	25,563
Amortization and impairment	
At 1 July 2016	23,634
Amortization	891
At 30 June 2017	24,525
Amortization	1,038
At 30 June 2018	25,563
Net book values	
At 30 June 2018	-
At 30 June 2017	1,038

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

Motor Vehicles	50%	Computers	50%
Office Equipment and Furniture	50%	Fixture and Fittings	50%

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

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

Notes to the financial statements (continued)

	2017/2018	2016/2017
	'000'	'000'
18 Trade and other payables from exchange transactions		
Trade payables	39,818	54,735
Benefits payable	25,907	2,361
Other payables	49,320	19,237
Total trade and other payables	115,044	76,333

20. Employee benefit obligations

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

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

21. Financial Risk Management

LAPFUND's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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 and available-for-sale financial investments.

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

The board of directors 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 directors, 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.

(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 optimising 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) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

LAPFUND at the end of the period did not have any carrying amount of foreign currency denominated monetary assets and monetary liabilities

(v) 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,

Local Authorities Provident Fund

Annual Report and Financial Statements
For Period Ended 30 June 2018

in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern.

22. Related party balances

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.

Key management compensation	2017/18	2016/17
	Ksh '000'	Ksh '000'
Directors' emoluments	43,733	62,904
Compensation to key management	82,011	42,918
	125,744	105,822

Local Authorities Provident Fund

Annual Report and Financial Statements

For Period Ended 30 June 2018

Notes to the financial statements (continued)

19 Investments

	Property	Government Bonds	Treasury Bills	Fixed deposits	Corporate and commercial paper	Quoted shares	Unquoted shares	Total
	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'
Fair value								
At 1 July 2016	6,779,597	6,733,074	1,424,918	1,731,886	796,561	3,517,412	11,720	20,995,167
Additions	5,141,181	578,069	3,107,545	9,464,610	109,400	1,487,054	-	19,887,860
Maturity/Disposals	-	(3,221,485)	(2,213,640)	(10,138,555)	(127,899)	(2,194,085)	-	(17,895,664)
Change in fair value	-	164,029	-	-	-	53,717	-	217,747
At 30 June 2017								
Total investments	11,920,778	4,253,687	2,318,823	1,057,941	778,062	2,864,099	11,720	23,205,110
Total current investments	-	322,552	2,318,823	1,057,941	87,465	-	-	3,786,781
Total non-current investments	11,920,778	3,931,135	-	0	690,597	2,864,099	11,720	19,418,330
Additions	2,343,875	739,166	1,483,296	3,766,673	3,657	325,403	-	8,662,070
Maturity/Disposals	-	(1,931,049)	(3,100,879)	(4,295,051)	(130,917)	(503,426)	-	(9,961,321)
Change in fair value	-	15,891	-	-	-	302,900	-	318,791
At 30 June 2018								
Total investments	14,264,653	3,077,696	701,240	529,563	650,802	2,988,977	11,720	22,224,650
Total current investments	-	570,866	701,240	529,563	38,371	-	-	1,840,040
Total non-current investments	14,264,653	2,506,829	-	-	612,431	2,988,977	11,720	20,384,610

Property investments include an amount of Kshs 1,190,075,000 which comprises of development of Shopping Centre, Nursery School and 131units Maisonettes (LAPFUND Gardens) in Mavoko Sub County, Machakos County which are on sale. The amount is net of costs, deposits and fully bought units.

Progress on Follow up of Auditor Recommendations

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

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
Makasembo Estate Kisumu	As reported in the previous years, the Fund did not collect rent during the 2016/2017 financial year from its property situated in Makasembo Estate Kisumu because the National Housing Corporation (NHC) continued to collect rent without remitting the proceeds to LAPFUND. This was as a result of failure by the defunct Kisumu Municipal Council to service undermined debt arising from construction of the houses in the estate by the National Housing Corporation. As in the previous year, rental income totalling Kshs 1,452,000.00 was due from the property during the 2016/2017 financial year but was not received by LAPFUND. The total accrued rent form the property which had been earned but not received since the transfer of the property by the defunct council to LAPFUND stood at Kshs 10,525,000 as at 30 th June 2018	LAPFUND has taken a two approach to resolve the matter: i) Instituted a recovery measure of the rental income loss and control of the estate through the legal system. The matter is currently in Court waiting determination. ii) Initiated a tripartite negotiation between National Housing Corporation, County Council of Kisumu and ourselves to resolve the dispute. The results of the negotiations are yet to be concretized.	Bernard Mbogoh Chief Manager - Finance and Investments	Not resolved	30 June 2019
Mariakani Estate Nairobi	Similarly, as reported in the Previous year, the Nairobi City County continued to collect rent during 2017/2018 financial year in respect of thirty blocks of eight flats in Marikani Estate Nairobi which had been transferred to LAPFUND in April 2013 by the defunct Nairobi City Council under a debt swap agreement. Rental income for 2017/2018 totalling Kshs 28,510,000.00 was therefore not received by LAPFUND, thus resulting to total accrued rental income from the property of Kshs 122,110,000.00 as at 30 June 2018	The case that was pending in court, case No. 76 of 2015 Republic vs. County Government of Nairobi, Registrar of Titles, Local Authorities Provident Fund, Roba Duba & Others ex-parte Mariakani Welfare Association was settled in court and immediately thereafter, we made arrangement to start remitting the rental income to our bank account. From the month of October 2016, we have received Kshs 290,000 from the few who are remitting the monthly rentals to us. We are now in partnership with Nairobi City County Government pursuing measures to ensure all tenants are paying rents as it falls due.	Bernard Mbogoh Chief Manager - Finance and Investments	Resolved	30 June 2019

Local Authorities Provident Fund
Annual Report and Financial Statements
For Period Ended 30 June 2018



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Chief Executive Officer

Date: 27/02/2019

A handwritten signature in black ink, appearing to be "D. [unclear]", written over a horizontal line.

Chairman of the Board

Date: 27/02/2019