

REPUBLIC OF KENYA



Enhancing Accountability

 REPORT NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	
DAY: THURSDAY	
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CLERK-AT THE-TABLE:	Leah Mwanra

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**CIVIL SERVANTS HOUSING SCHEME
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

**STATE DEPARTMENT FOR HOUSING AND
URBAN DEVELOPMENT**



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THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	DAY.
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CLERK-AT THE-TABLE:	

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

STATE DEPARTMENT OF HOUSING

CIVIL SERVANTS HOUSING SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Principal Activities

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

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

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Mandate

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

Vision of the Department:

Excellent, Adequate, Affordable housing for Civil Servants.

Mission of the Department:

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

(c) Fiduciary Management

During the financial year under focus CSHSF operations were undertaken by the Fund Secretariat and administered by “the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30 June 2019 which show the state of the Fund affairs. The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	- Charles M. Hinga
2.	Director of Administration	- Ibrahim Hussein
3.	Ag. Director CSHSF	- Simon Opondo



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Oversight Arrangements

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

(e) Entity Headquarters

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

(f) Entity Contacts

Telephone: (254) 2718050
E-mail: cshd@housingandurban.go.ke
Website: www.housingandurban.go.ke

(g) Entity Bankers

Kenya Commercial Bank Ltd,
Milimani Branch
A/C No. 1108696325
P O Box 69695 - 00100
NAIROBI

(h) Independent Auditors

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



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(i) Principal Legal Adviser

The Attorney General

State Law Office




Harambee Avenue

P.O. Box 40112




City Square 00200

Nairobi, Kenya



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

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p>Charles M. Hinga</p>	<p>Principal Secretary for Housing and Urban Development and Officer Administering the Fund</p>	<p>Charles is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa. His core competencies include project and structured finance, deal structuring and business development. Until the time of his appointment as the Principal Secretary of Housing, Urban Development, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.</p>
 <p>Margaret W. Muiro, OGW</p>	<p>Representing the Principal Secretary, National Treasury.</p>	<p>Margaret W. Muiro is an Administrative Officer in The National Treasury She holds a Bachelor of Arts- Political Science and Sociology and Advanced Public Administration She has 35 years' experience in the civil service</p>
 <p>Geoffrey Apollo Omondi</p>	<p>Representing the Principal Secretary, Labour</p>	<p>Geoffrey Omondi was born in 1959. He is a Deputy Labour Commissioner in the Ministry of East African Community, Labour, Social Protection. He previously worked as a Lecturer in Industrial Relations at Kenya Institute Personnel Management and Railway Training Institute. He holds a Master of Arts in Labour and Development Studies and Bachelor of Arts (Hons) in Political Science and Sociology.</p>




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 <p>Allan Ng'ang'a Mwaura</p>	<p>Representing the Principal Secretary, Public Service and Youth Affairs</p>	<p>Mr. Allan Ng'ang'a Mwaura is a Deputy Director in the State Department of Public Service and Youth. He holds a Bachelor of Education (Arts) and Masters of Education Administration. He has attained professional development courses locally, regionally and internationally. Has served in the Education sector under the Teachers Service Commission as Secondary School teacher, head of Languages Department, KNEC examiner and Deputy Principal. He has attended Strategic Leadership Development Programme. He holds Certificate in Human Resource Management and Educational Administration. Mr. Mwaura is also associate member of Kenya Institute Management</p>
 <p>John W. Gitu</p>	<p>Representing the Principal Secretary, Infrastructure</p>	<p>John W. Gitu is the Director, Human Resource and Development in the State Department of Infrastructure. He holds Masters of Science (MSc) in Human Resource Management, Bachelor of Arts Degree, Post Graduate Diploma in Human Resource Management. He is a registered member of the Institute of Human Resource Management. He is a Human Resource Practitioner with over 27 years' experience.</p>
 <p>Christine K. Ileli</p>	<p>Representing the Attorney General</p>	<p>Christine is an advocate of the High Court of Kenya with a Bachelor of Laws (LL. degree and Master of Laws (LL.M) from the University of Nairobi, a Post Graduate Diploma in Legal Studies from the Kenya School of Law and a member of the Law Society of Kenya. She is a Principal State Counsel at the Office of the Attorney General and Department of Justice, currently under the Government Transactions Division with experience international Commercial Law, International Law and Land Laws.</p>


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 <p>Patrick Mwenda Bucha, MBS</p>	<p>Secretary, Housing</p>	<p>Patrick Bucha was born in 1964. He is Secretary, Housing in the State Department for Housing and Urban Development.</p> <p>He holds a Master of Arts in Building Management, Bachelor of Arts in Building Economics and currently undertaking PhD in Leadership and Governance.</p> <p>He is a registered Quantity Surveyor with Board of Registration for Architects and Quantity Surveyors. He has 29 years of experience.</p>
 <p>Mr. Simon O. Opondo</p>	<p>Ag Director CSHSF and Secretary of the SMC</p>	<p>Simon Odhiambo Opondo was born in 1960. He is the Ag Director, Civil Servants Housing Scheme Fund. He boasts of over 31 years' experience in Civil as an Architect and ten years as the project Manager in the Civil Servants Housing Scheme Fund .</p> <p>He holds a Master's of Science degree in Architecture and a member of the Architectural Association of Kenya. He is a registered Architect with BORAQS.</p>

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

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p>Mr. Simon O. Opondo</p>	<p>Mr. Simon O. Opondo is the Ag Director CSHSF</p>	<ul style="list-style-type: none"> • MSc Architecture, MAAK • Registered Architect
 <p>Mr. Julius G. Wairagu</p>	<p>Project Manager</p>	<p>Bachelor of Architecture Registered Architect</p>
 <p>Mr. Boniface M. Ngochi</p>	<p>Estate Manager</p>	<ul style="list-style-type: none"> • BA(Hons) Land Economics • Member of the Institution of Surveyors of Kenya (MISK)

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	Scheme Accountant	<ul style="list-style-type: none">• Msc Finance• B Com Finance• CPA(K)
Daniel Kinuthia Mwangi		

CABINET SECRETARY'S STATEMENT

The Cabinet Secretary's Report

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

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

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REPORT OF THE PRINCIPAL SECRETARY
Administrator of Fund Report

The Operations of the funds were good within the financial year. This was boosted by the placing of Housing under the Big four Agenda of the Government. The Scheme benefited from the establishment of the Kenya Mortgage Refinance Company and the Affordable Housing program

To take advantage of the Affordable Housing Program, the CSHSF realigned itself to off take units developed under the program. The management committed to offtake 30% of 1,370 units under construction in Park Road Nairobi.

The Fund completed construction of Kisumu Housing, and Machakos, Kiambu and Embu projects were progressed to near completion. New mortgages to applicants amounted to Kshs 760 million


Section 16 of the CSHSF regulations requires the officer administering the Fund to cause to be kept books of account and other records in relation to the Fund and to prepare, sign and transmit to the Controller and Auditor-General in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund

The statements have been prepared using appropriate policies and in accordance with IPSAS and the PFM Act.

Charles M. Hinga

Principal Secretary/Officer Administering the Fund

State Department of Housing & Urban Development

Signature.....

Date.....30/09/2019.....

CORPORATE GOVERNANCE STATEMENT

The Members of the Scheme Management Committee are listed in page 6 to 8 above. the functions of the Committee is to; determine and regulate interest payable by loanees; approve all housing development and financing proposals; develop criteria for the beneficiaries of the Fund; establish management guidelines and engage such staff as may be necessary to assist the Committee and the officer administering the Fund among others

The SMC approved off purchase 30% of units developed under the AHP and sale of the units to civil servants. That will improve access of housing to Civil Servants.

The management is fully committed to protect Government interest in the Fund by ensuring housing is accessible and affordable to civil servants and Public Funds are protected. This will ultimately transform the CSHSF into a Revolving Fund

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Fund had at 30th June 2019 accomplished the following: -

a. Non-strategic government houses sold in Nairobi

S/No	Estate	Number of units	Description
1	Kileleshwa	208	Maisonettes
2	Mugoya	144	Maisonettes
3	Nairobi West	71	Maisonettes
4	Rubia	280	Maisonettes
5	Kibera High Rise Flats	294	Flats
6	Mayfair (Kariokor)	15	Bungalows

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7	Kongoni Flats (South 'C')	18	Flats
8	Sungura Road Flats (South 'C')	24	Flats
9	Kabras Road Flats (South 'B')	7	Flats
10	Mukenia Road Flats (South 'B')	20	Flats
11	Parklands	1	Bungalow
	Total	1,082	

b. Houses directly financed by the Fund

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

c. Sale of newly constructed houses in Nairobi

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

Constructed houses sold in Nairobi

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

d. Constructed houses for sale in Kisumu

The Scheme offered 210 houses out of the 250 houses constructed in Kisumu Shauri Moyo for sale. The other 40 houses were reserved for rental purposes. The project was 100% complete as at 30th June, 2019.

Granting of Mortgage Loans to Civil Servants

The fund had as at 30th June, 2019 facilitated 989 civil servants with mortgage loans for construction and purchase amounting to Kshs.5.114 billion through Kenya Commercial Bank (KCB) and

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Housing Finance (HF) Group as shown in the table below: New loans within the financial year amounted to Kshs 737,338,041.95

S/No	Financial Institutions	Number of Civil Servants	Amount (Kshs.)
1	Kenya Commercial Bank	736	3,450,499,226.85
2	Housing Finance	402	1,663,593,030.57
	Total	1,136	5,114,092,257.42

e. Houses Constructed and Rented to Civil Servants

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

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

In total CSHSF has facilitated 3,408 civil servants to access housing.

f) Commercial Premises

Development of Ngara housing project comprised the housing units and;

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

The facilities are let out to rent paying tenants.

During financial year 2018/2019, the Fund achieved the following.

- i. Completed the Construction of 250 housing units in Shauri Moyo, Kisumu. 210 out of 250 houses were offered for sale while 40 houses were reserved for rental purposes.
- ii. The department issued loans to 116 Civil Servants for purchase or construction of residential houses.

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- iii. Continued with the construction of housing projects in Machakos, Kiambu and Embu. The projects were at 80%, 60% and 70% status of completion respectively
- iv. Funds raised for the year amounted to Kshs. 1,076,435,216 broken into; Government grant through National Treasury amounting to 750,000,000 and Revenue reserve at the end of financial year Kshs. 326,435,216

The performance of the department in the year 2018 – 2019 was good. However, there is room for improvement. There is a need to make use of Public Private Partnerships (PPP) to ensure more houses are constructed. The decision to for the Fund to off take units developed under the Affordable Housing Program will facilitate accelerated delivery of new units for purchase to Civil Servants. There is also need to use cheaper and faster construction technologies in order to achieve adequate housing for Civil Servants.

Challenges

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

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

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

A going concern

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

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REPORT OF THE SCHEME COMMITTEE

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Civil Servants Housing Scheme Fund's affairs.

Principal activities

The key strategic priorities for the year were

- i. Facilitation of at least 120 civil servants with loans to buy or construct residential houses.
- ii. Sale of Kisumu Shauri Moyo Housing project to comprising 250 one, two and three bedrooms houses at a cost of Kshs 764 million
- iii. Complete construction of 200 unit in Machakos, 200 units in Kiambu and 220 units in Embu
- iv. Initiation of Public Private partnership process for construction of Park Road and Starehe Estate
- v. Raise funds for the fund activities and prudent management of the finances.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 17 to 47.


Directors

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

Auditors

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

By Order of the Board


Principal Secretary

State Department of Housing and Urban Development

Date: 30/07/2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Civil Servants Housing Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Civil Servants Housing Scheme Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

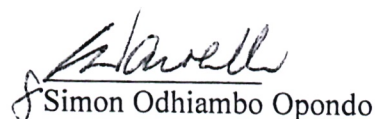
Nothing has come to the attention of the Directors to indicate that the Civil Servants Housing Scheme Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Civil Servants Housing Scheme Fund's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



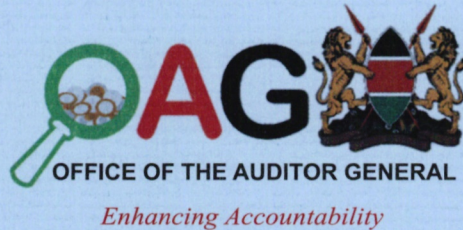
Charles M. Hinga
Principal Secretary



Simon Odhiambo Opondo
Ag. Director/CSHSF

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CIVIL SERVANTS HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Civil Servants Housing Scheme Fund set out on pages 20 to 49, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Civil Servants Housing Scheme Fund as at 30 June, 2019, 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 Civil Servants (Housing Scheme Fund) Regulation, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Payments for Machakos Project

The statement of financial performance reflects general expenses of Kshs.37,735,391. A review of payment vouchers relating to the Fund housing project located in Machakos Town revealed that payments totalling Kshs.10,639,982 were not adequately supported with schedules and signed agreements.

In the absence of the supporting documents, the propriety of the expenditure of Kshs.10,639,982 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Civil Servants Housing Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical

responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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

Unresolved Prior Year Matter - Cash and Cash Equivalents

As previously reported, the cash and cash equivalents balance as at 30 June, 2018 had unreconciled balances which have remained unresolved as at 30 June, 2019. There were unbanked receipts of Kshs.201,183,649, out of which receipts amounting to Kshs.37,454,290 were aged more than one year. Further, payments in the bank statement but not in the cash book amounted to Kshs.31,553,576 while payments in the cash book but not in bank statement amounted to Kshs.180,596,212, of which Kshs.16,911,231 related to the periods before 30 June, 2017.

In the circumstance, it has not been possible to confirm the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.3,580,219,336 as of 30 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 January, 2021

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019	2017-2018
Revenue from exchange transactions		Kshs	Kshs
Mortgage Interest	6	202,079,918	153,659,666
Finance income - external investments	7	93,216,157	226,681,689
Rental revenue from facilities and equipment	8	57,832,441	58,540,068
Other income	9	37,028,171	14,500,146
Total revenue		390,156,687	453,381,569
Expenses			
Board expenses	10	2,039,405	5,719,765
General expenses	11	37,735,391	35,818,993
Repairs and maintenance	12	385,000	12,244,795
Depreciation expense	13	23,561,676	24,162,012
Total expenses		63,721,471	77,945,565
Surplus for the period		326,435,216	375,436,004

The notes set out on pages 29 to 48 forms an integral part of the Financial Statements

Charles M. Hinga

CPA Daniel K. Mwangi

Simon Odhiambo Opondo

Principal Secretary/

Accountant/CSHSF

Ag Director/CSHSF

Officer Administering the Fund

ICPAK Mem 13665

State Department of Housing &

Urban Development

Signature.....

Signature.....

Signature.....

Date.....30/09/2019.....

Date.....30/09/2019.....

Date.....30/09/2019.....

**STATEMENT OF FINANCIAL POSITION
AS AT THE YEAR ENDED 30**

JUNE 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	3,580,219,336	2,408,632,335
Current portion of long-term receivables from exchange transactions	15(a)	2,267,144,564	1,802,182,911
Advance- KENSUF		-	18,183,400
		5,847,363,900	4,228,998,646
Non-current assets			
Property, plant and equipment	16	7,786,093	7,762,437
Investments(Land and building unallocated)	15(b)	2,467,334	2,467,334
Investment property	17	835,880,428	857,313,259
Long term receivables from exchange transactions	15(c)	5,381,130,573	5,080,063,417
		6,227,264,427	5,947,606,448
Total assets		12,074,628,327	10,176,605,094
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	185,251,147	184,379,805
Total liabilities		185,251,147	184,379,805
Net assets		11,889,377,180	9,992,225,289
Revenue Reserves		2,694,796,527	2,368,361,311
Accumulated surplus (capital reserves)		9,194,580,653	7,605,680,578
Advance- KENSUF	10 ©	-	18,183,400
Total net assets and liabilities		11,889,377,180	9,992,225,289

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019


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

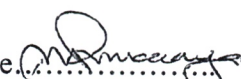
By;

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

CPA Daniel K. Mwangi
Accountant/CSHSF
ICPAK Mem 13665

Simon Odhiambo Opondo
AgDirector/CSHSF

Signature 

Signature 

Signature 

Date... 30/09/2019

Date... 30/09/2019

Date... 30/09/2019

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Revenue Reserve Restated	Capital Reserve Restated	Total
	Kshs	Kshs	Kshs
Balance as at 30 June 2017	1,340,971,656	6,844,110,796	8,185,082,452
Government contribution capital injection movement	-	1,088,689,662	1,088,689,662
Property validation and rental collections reserves	-	-18,067,226	-18,067,226
Accounts payable 10% deposits reserves	-	27,827,264	27,827,264
Reserves on Sale of Houses	-	-	-
Surplus/(deficit) for the period	375,436,004	-	375,436,004
Balance as at 30 June 2018	1,656,045,390	7,942,560,496	9,598,605,886
Surplus for the period	326,435,216	-	326,435,216
Government contribution capital injection movement	-	750,000,000	750,000,000
Property validation and rental collections reserves movement	-	808,139,835	808,139,835
Accounts payable 10% deposits reserves movement	-	30,760,239	30,760,239
Balance as at 30 June 2019	1,982,480,606	9,531,460,570	11,513,941,176

Civil Servants Housing Scheme Fund
 Annual Reports and Financial Statements
 for the year ended June 30, 2019

**STATEMENT OF CASHFLOW
 FOR THE YEAR ENDED 30 JUNE 2019**

		Kshs	Kshs
		2018-2019	2017-2018
Cash flows from operating activities			
Receipts			
Mortgage Interest	6	202,079,918	153,659,666
Finance income External Investments	7	93,216,157	226,681,689
Rental Revenue from facilities and Equipment	8	57,832,441	58,540,068
Other Incomes	9	37,028,171	14,500,146
Total Receipts		390,156,687	453,381,569
Payments			
Board expenses	10	2,039,405	5,719,765
Repairs and Maintenance	11	37,735,391	35,818,993
General Expenses	12	385,000	12,244,795
Total Payments		40,159,796	53,783,553
Net cash flows from operating activities		349,996,891	339,598,016
Debtors/ Accounts receivable		(40,054,823)	(29,224,975)
Trade and other payables		871,342	54,064,596
Work in progress		(728,484,061)	(802,529,420)
Net cash flows from operating activities		(417,670,651)	(378,091,782)
Cash flows from investing activities			
Acquisition of property, plant, equipment & intangible	16	(2,152,500)	(2,713,740)
Land & Building(Unallocated)		-	-
Mortgage Recoverable Scheme		110,139,405	182,499,504
Mortgage Recoverable S&L		(182,136,558)	(621,777,855)
Mortgage Recoverable HFCK		78,011,394	(243,013,307)
Group Insurance Recoverable		(3,504,164)	(2,268,327)
Net cash flows used in investing activities		357,577	(687,273,725)

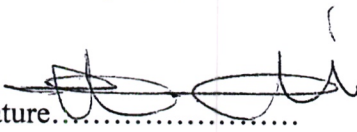
Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
for the year ended June 30, 2019

Cash flows from financing activities			
Government grants as capital injection		750,000,000	1,088,689,662
Deposits		808,139,835	(18,067,226)
Accounts Payable (10% deposits)		30,760,239	27,827,264
Housing reserve on sale		-	-
Net cash flows used in financing activities		1,588,900,074	1,098,449,700
Net increase/(decrease)in cash and cash equivalents		1,171,587,001	33,084,192
Cash and cash equivalent 1 July 2018	14	2,408,632,335	2,375,548,143
Cash and cash equivalent 30 June 2019	14	3,580,219,336	2,408,632,335

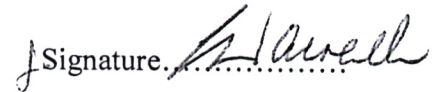
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Ag Director/CSHSF

Signature.....

Signature.....

Signature.....

Date.....30/09/2019.....

Date 30/09/2019.....

Date.....30/09/2019.....

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
for the year ended June 30, 2019

CIVIL SERVANTS HOUSING SCHEME FUND(CSHSF)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Balance in the Bank	1,639,625,781	-	1,639,625,781	3,080,179,983	4,784,869,193
Funds on short call from the Bank	1,000,000,000	-	1,000,000,000	500,000,000	-500,000,000
Expected collection From Mortgage & Rent	350,000,000	-	350,000,000	406,014,240	56,014,240
Budgeted Allocation For the Year	1,500,000,000	-	1,500,000,000	750,000,000	-750,000,000
	4,489,625,781	-	4,489,625,781	4,784,869,193	246,568,442
Expenses					
Boards and Committees	20,000,000	-	20,000,000	2,039,405	17,960,595
Conferences and Seminars	6,000,000	-	6,000,000	5,389,418	610,582
Official Entertainment	1,500,000	-	1,500,000	1,309,046	190,954
Travel & Sundry Items	3,500,000	-	3,500,000	3,335,162	164,838
Accommodation	13,000,000	-	13,000,000	10,468,603	2,531,397
Advertisement Awareness	12,000,000	-	12,000,000	3,088,486	8,911,514
Publishing and Printing Services	1,000,000	-	1,000,000	-	1,000,000
General Office Supplies	4,500,000	-	4,500,000	3,286,807	1,213,193
Group Insurance for Mortgage Protection	20,000,000	-	20,000,000	9,154,849	10,845,151

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
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Purchase of plant and equipment	3,000,000	-	3,000,000	2,152,500	847,500
Purchase of office Furniture and fittings	2,500,000	-	2,500,000	-	2,500,000
Telephone & Mobile services	800,000	-	800,000	800,000	0.00
Courier and postal services	200,000	-	200,000	-	200,000
Library services	600,000	-	600,000	251,850	348,150
Training Expenses	4,000,000	-	4,000,000	3,928,915	71,085
Purchase of software Programme	6,500,000	-	6,500,000	-	6,500,000
Supplies of accessories for computer & printers	1,500,000	-	1,500,000	1,005,000	495,000
Maintenance of equipment	650,000	-	650,000	385,000	265,000
Maintenance of offices	500,000	-	500,000	-	500,000
Bank charges	450,000	-	450,000	190,010	259,990
Refurbishment of office	550,000	-	550,000	-	550,000
Contracted guards and cleaning services	3,500,000	-	3,500,000	792,000	2,708,000
Membership Fees, Dues and subscriptions	400,000	-	400,000	176,313	223,687
Repairs and Maintenance of Land and Building	60,000,000	-	60,000,000	-	60,000,000
Surveying of scheme properties	25,000,000	-	25,000,000	3,755,280	21,244,720
Total Expenditure Operations	191,650,000	-	191,650,000	51,508,644	140,141,356

**Civil Servants Housing Scheme Fund
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for the year ended June 30, 2019**

Development Budget					
Proposed Fees for Building Consultancy Services	336,400,000	-	336,400,000	9,154,402	327,245,598
Building Construction	2,176,644,000	-	2,176,644,000	719,329,659	1,457,314,341
Statutory Fees and other charges	14,600,000	-	14,600,000	-	14,600,000
Loans to civil servants	1,650,000,000	-	1,650,000,000	776,789,795	873,210,205
Purchase of land	100,000,000	-	100,000,000	-	100,000,000
Total expenditure Development	4,277,644,000		4,277,644,000	1,505,273,856	2,772,370,144

**Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
or the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Impact
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 are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p>

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
For the year ended June 30, 2019

Standard	Effective date and impact:
	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from exchange transactions

Sale of goods

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

Interest income

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on July, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

c) Investment property

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment

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

e) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

f) Provisions

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities

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

Contingent assets

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

g) Nature and purpose of reserves

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

h) Borrowing costs

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

i) Related parties

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

j) Cash and cash equivalents

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Comparative figures

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

l) 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, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

Revenue from Exchange Transactions	2018-2019	2017-2018
	Kshs	Kshs
6. Mortgage Interest		
Mortgage interest	45,920,188	54,141,125
Mortgage interest S&L	59,034,996	51,078,095
Mortgage interest HFCK	97,124,734	48,440,446
Total	202,079,918	153,659,666

7. Finance Income-External Investments	2018-2019	2017-2018
	Kshs	Kshs
Finance Income External Investments	93,216,157	226,681,689
Total	93,216,157	226,681,689

8. Rental Revenue from facilities and Equipment	2018-2019	2017-2018
	Kshs	Kshs
Rental Revenue from Facilities and Equipment	57,832,441	58,540,068
Total	57,832,441	58,540,068

9. Other Income	2018-2019	2017-2018
	Kshs	Kshs
Bank interest	36,697,891	14,284,146
Sale of Forms	215,000	186,000
Other income, rentals and agency fees	115,280	30,000
Total	37,028,171	14,500,146

Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Board Expenses		2018-2019	2017-2018
		Kshs	Kshs
Secretariat / Board & committee		2,039,405	5,719,765
Total		2,039,405	5,719,765

11. General Expenses		2018-2019	2017-2018
		Kshs	Kshs
Conference & Seminars		5,389,418	3,905,730
Membership Fees		176,313	244,280
Official Entertainment		1,309,046	962,636
Travel & Sundry Items (e.g. Taxi)		3,335,162	2,624,026
Accommodation		10,468,603	9,925,816
Advertisement Awareness		3,088,486	8,725,159
Publishing and Printing Services		-	27,750
General Office Supplies		3,245,307	3,091,100
Telephone & Mobile Services		800,000	11,500
Courier & Postal Services		-	72,510
Library Services		251,850	249,760
Training Expenses		3,928,916	1,136,920
Guards and Cleaning Services		792,000	139,000
Surveying of Scheme properties		3,755,280	3,512,824
Bank Charges		190,010	289,482
Supplies & accessories of computer		1,005,000	900,000
Total		37,735,391	35,818,493

Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Repair and maintenance		2018-2019	2017-2018
		Kshs	Kshs
Maintenance of Equipment		385,000	304,415
Refurbishment of Residential Building			11,676,860
Office Maintenance			263,520
Total		385,000	12,244,795

13. Depreciation and amortization expense		2018-2019	2017-2018
		Kshs	Kshs
Depreciation expenses		23,561,676	24,162,012
Total		23,561,676	24,162,012

14. Cash and cash equivalents		2018-2019	2017-2018
		Kshs	Kshs
Cash-books balances		3,080,219,336	1,408,632,335
Short-term deposits		500,000,000	1,000,000,000
Total cash and cash equivalents		3,580,219,336	2,408,632,335

Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
for the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 (b) Detailed analysis of Cash and cash equivalents	2018-2019	2017-2018
	Kshs	Kshs
Financial institution		
National Bank of Kenya	-	1,000,000,000
Housing Finance of Kenya	500,000,000	-
Others- cashbook balances	3,080,219,336	1,408,632,335
Total cash and cash equivalents	3,580,219,336	2,408,632,335

15. Receivables from exchange transactions	2018-2019	2017-2018
	Kshs	Kshs
a) Current portion of long-term receivables from exchange transactions		
Work in progress		
Construction	2,050,085,074	1,330,775,415
Consultant	169,922,275	160,767,872
Statutory fees & other charges	7,082,392	7,082,392
Debtors/Accounts receivables		
Debtors (P/s Lands & Lands)	-	109,647,558
Rent and service charge arrears	34,581,692	162,039,664
Service charge arrears	5,473,131	31,890,010
Total current receivables	2,267,144,564	1,802,182,911

15 (b) Investment	2018-2019	2017-2018
	Kshs	Kshs
Land and buildings unallocated	2,467,334	2,467,334
Total investment	2,467,334	2,467,334

**Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)

15 (c) Long term receivables from exchange transactions	2018-2019	2017-2018
	Kshs	Kshs
Mortgage recoverable from the scheme	1,223,525,255	1,333,664,660
Mortgage recoverable from HFCK	1,227,390,191	1,305,401,584
Mortgage recoverable from KCB (S & L)	2,576,857,320	2,394,720,762
Group insurance	49,780,575	46,276,411
Debtors (P/S Lands and Lands)	109,647,558	
Rent and Service Charge Arrears	162,039,664	
Service Charge Arrears	31,890,010	
Total	5,381,130,573	5,080,063,417

**Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (continued)					
16. Property, plant and equipment					
	Computers & other Equipment	Motor-vehicles	Furniture and Fittings	Land and Buildings	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2018	44,343,047	4,016,157	9,499,571	1,002,379,368	1,060,238,143
Additions	1,163,900	-	988,600	-	2,152,500
At 30 June 2019	45,506,947	4,016,157	9,499,571	1,002,379,368	1,062,390,643
Depreciation and impairment					
At 1 July 2018	(40,445,811)	(3,920,744)	(5,729,782)	(145,066,109)	(195,162,446)
Depreciation	(1520,505)	(23,853)	(584,486)	(21,432,831)	(23,561,676)
At 30 June 2019	(41,966,316)	(3,944,597)	(6,314,268)	(166,498,940)	(218,724,122)
Netbook values					
At 30 June 2018	3,897,236	95,413	3,769,789	857,313,259	865,075,697
At 30 June 2019	3,540,631	71,560	4,173,903	835,880,428	843,666,522

**Civil Servants Housing Scheme Fund
Annual Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Investment property		2018-2019	2017-2018
		Kshs	Kshs
Shauri Moyo /Jogoo 315 Units(Conversion Cost)		572,739,443	572,739,443
Ngara Desai Road Rental 96 Units 2&3 Bedroom (Conversion Cost)		429,639,926	429,639,926
Accumulative Depreciation		(166,498,940)	(145,066,109)
Total		835,880,428	857,313,259

18. Trade and other payables from exchange transactions		2018-2019	2017-2018
		Kshs	Kshs
10% Retention		172,911,323	174,249,610
Service Charge		7,977,371	7,152,940
Rent Security Deposits		2,115,887	2,115,887
Bank Loan Repayment		2,246,566	861,368
Total		185,251,147	184,379,805

19. Financial Risk Management

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

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

(i) Credit risk

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

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

	Total amount Kshs	Fully performing Kshs
At 30 June 2019		
Receivables from exchange transactions	2,570,721,795	2,570,721,795
Bank balances	3,580,219,336	3,580,219,336
Total	6,150,941,131	6,150,941,131
At 30 June 2018		
Receivables from exchange transactions	1,802,182,911	1,802,182,911
Bank balances	2,408,632,335	2,408,632,335
Total	4,210,815,246	4,210,815,246

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

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

Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

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

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

	Over 5 months	Total
	Kshs	Kshs
At 30 June 2019		
Trade payables	172,911,323	172,911,323
Provisions	12,339,824	12,339,824
Total	185,251,147	185,251,147
At 30 June 2018		
Trade payables	174,249,610	174,249,610
Provisions	10,130,195	10,130,195
Total	184,379,805	184,379,805

**Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

(iv) Interest rate risk

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

Management of interest rate risk:

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 326,435,216 (2018: Kshs 375,436,004). A rate increase/decrease of 2% would result in a decrease/increase in profit before tax of Kshs 6,528,704(2018: 7,508,720).

**Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(v) Capital Risk Management

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

	2018-2019		2017-2018
	Kshs		Kshs
Retained earnings	1,982,480,606		2,368,361,311
Capital reserve	9,531,460,570		7,605,680,579
Total funds	11,513,941,176		9,974,041,890
Total borrowings	-		-
Less: cash and bank balances	(3,580,219,336)		(2,408,632,335)
Net debt/(excess cash and cash equivalents)	8,309,157,844		7,565,409,555
Gearing	70%		76%

20. RELATED PARTY BALANCES

a) Nature of related party relationships

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

The entity is related to

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

b) Related party transactions		2018-2019	2017-2018
		Kshs	Kshs
Transfers from related parties			
State Department of Housing		750,000,000	1,088,689,662
Total		750,000,000	1,088,689,662

Civil Servants Housing Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. EVENTS AFTER THE REPORTING PERIOD

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

22. ULTIMATE AND HOLDING ENTITY

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

23. CURRENCY

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

24. MOVEMENTS OF THE RESERVES.

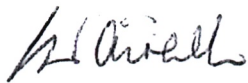
- Government capital injection of KShs. 750,000,000
- Property validation and rental collections reserves movement of kshs. 18,067,226
- Accounts payables 10% deposits reserves movement of kshs. 27,827,264

**Civil Servants Housing Scheme Fund
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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Un-reconciled cash and bank items	Bank reconciliation was reconciled except unrepresented deposit slips	Director, Civil Servants Housing Scheme Fund	Resolved	2019-2020


Ag. Director / CSHSF

Date.....30/09/2019.....

Civil Servants Housing Scheme Fund
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 Appendix 1

INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of Housing			
FY 2018/2019			
a.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
	State Department of Housing	19/11/2018	375,000,000
	State Department of Housing	30/06/2019	375,000,000
		Total	750,000,000

Indicate the FY to which the amounts relate

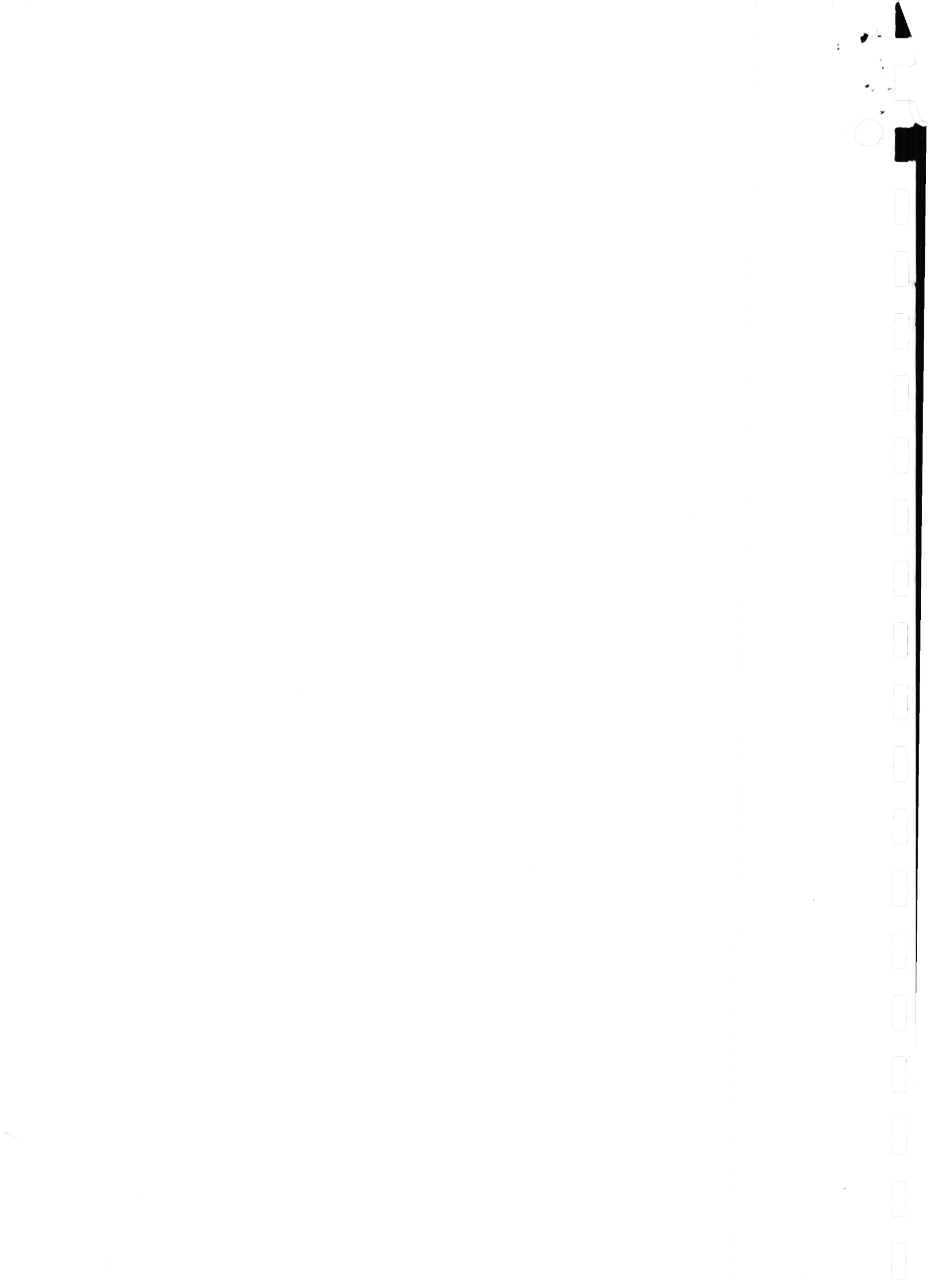
The above amounts have been communicated to and reconciled with the parent Ministry

Scheme Accountant
 Civil Servants Housing Scheme Fund

Head of Accounting Unit
 State Department of Housing

Sign 

Sign 



**Civil Servants Housing Scheme Fund
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Appendix II

RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/rec ognized					
	as per bank statement	Nature: Recurrent/Devel opment/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivable s	Others - must be specific	Total Transfers during the Year
State Department of Housing	19/11/2018	Development	375,000,000	-	375,000,000	-	-	-	375,000,000
State Department of Housing	30/06/2019	Development	375,000,000	-	375,000,000	-	-	-	375,000,000
Total			750,000,000	-	750,000,000	-	-	-	750,000,000

