

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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TUESDAY

TABLED **REPORT**

BY:

LEADER OF THE
MAJORITY

CLERK-AT
THE-TABLE:

R. W. TIAMPATI

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THE AUDITOR-GENERAL

ON

LAND SETTLEMENT FUND

FOR THE YEAR ENDED

30 JUNE, 2019

**MINISTRY OF LANDS AND PHYSICAL
PLANNING**



MINISTRY OF LANDS AND PHYSICAL PLANNING

LAND SETTLEMENT FUND (LSF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2019

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

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1. FUND DETAILS-

PRINCIPAL PLACE OF BUSINESS

ARDHI HOUSE, 8TH Floor, Ngong Road

P.O. Box 30297-00100

NAIROBI

BANKER

Kenya Commercial Bank Ltd,

Moi Avenue

P O Box 30081- 00100

NAIROBI

AUDITORS

Auditor General,

P O Box 30084 - 00100

NAIROBI

PRINCIPAL LEGAL ADVISER

The Attorney General

State Law Office

Harambee Avenue

P.O Box 40112- 00200

Nairobi, Kenya

2. INTRODUCTION

During the financial year under focus Land Settlement Fund (LSF) operations were undertaken by the Director of Land Adjudication and Settlement and administered by "the officer administering the Fund – the Principal Secretary, Ministry of Lands and Physical Planning. The officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30th June 2019 which show the state of the Fund affairs.

Mandate

The Department is charged with the responsibility of:

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

Vision

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

Mission

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

Values

The department maintains the following values:

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

Key Strategic Objectives

The broad objectives of the department are:

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

Strategic Programmes

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

Key strategic priorities

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

3. SCHEME MANAGEMENT COMMITTEE

The Fund is administered by the Accounting Officer /Principal Secretary of the Ministry for the time being responsible for matters related to ASF.

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

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

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

Land Settlement Fund Board of Trustees



Ms. Karoney was officially appointed in February 2018 as Cabinet Secretary for Ministry of Lands and Physical Planning. On this position, she has executive powers on policy formulation and management of all matters regarding the entire Ministry in Kenya. She holds Masters of Business Administration (Strategic Management) and a Post Graduate

Diploma in Mass Communications from the University of Nairobi and a Bachelor in Education Science (Education, Botany and Zoology) from Kenyatta University.

Immediately prior to her present position, she served as the chief operating officer (COO) of the Royal Media Services (RMS), a media conglomerate that includes radio and television stations. Before that, she served as the Group Editorial Director at RMS.

Farida Karoney attended the Kenyatta University, from 1989 until 1992, graduating with a Bachelor of Science Education degree in Botany and Zoology. She then went on to the University of Nairobi (UoN), where she obtained a Postgraduate Diploma in Mass Communication, in 1996, after one year of study. She enrolled in the MBA degree course at UoN in 2005, graduating in 2008 with a Master of Business Administration, specializing in Strategy. Later, she obtained a Doctor of Philosophy degree, also from UoN, specializing in strategic management.

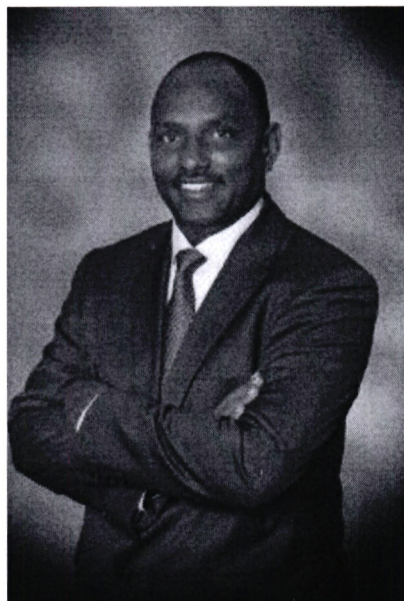
Career:

For a period of less than one year, in 1993, Farida taught Biology at Khamis High School in Mombasa. In June 1994, she joined Kenya Television Network (KTN), first as a freelance correspondent, then as a reporter, rising to the position of Features Editor, at the time she left KTN in December 2000.

In January 2001, she joined the Nation Media Group (NMG), as an editor and rising to the rank of Associate Editor by July 2004, when she left NMG. She then worked as the Managing Editor at The Standard Group, for a period of two years, from September 2004 until August 2006.

From there, Farida worked as a freelance contributor to Radio France Internationale, working in that capacity for about one year, between 2006 and 2007. For the last six months of that period, she also freelanced for the Al Jazeera English language network, as a producer.

In 2007 she went back to Standard Media Group and worked as the Head of Editorial at their flagship TV station, KTN, for about one year. During that period, she concurrently served as the Assistant Director for broadcasting at Standard Group Limited, until December 2008. For five consecutive years, beginning in February 2009, Farida Karoney served as the Group Editorial Director at Royal Media Services, until 2014. In August 2014, she was promoted to the position of chief operating officer, at RMS, a position she occupied at the time of her nomination to become the Cabinet Secretary for Lands.



Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. In January, 2018 he was appointed the Cabinet Secretary for Labour and Social Protection, a position he's serving to date.

Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests.

He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

Between 1992—2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where sharpened his management and administrative skills. He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.



Dr. Fred Matiangi doubles up as the Chairperson of the National Development Implementation and Communication Cabinet Committee. He has previously served as Cabinet Secretary for Information, Communication and Technology (ICT), Lands and Physical Planning as well as the Ministry of Education.

Prior to his appointment in the capacity of a Cabinet Secretary, Dr. Matiangi was the Regional Representative in East Africa for the Centre for International Development, Rockefeller College of Public Affairs and Policy, the State University of New York (SUNY/CID). He previously served as Chief of Party for Kenya's Parliamentary Strengthening Program.

Dr. Matiangi held research and program implementation positions in various civil society organizations in Kenya and conducted research and training for the Commonwealth Parliamentary Association, the World Bank Institute, and the United Nations Development Programme (UNDP) among others.

He also taught at Egerton University and the University of Nairobi.

Dr. Matiangi holds a PhD in Communication and Comparative Literature from the University of Nairobi, a Master of Arts degree in English from the University of Nairobi, and a Bachelors of Education degree from Kenyatta University.

His portfolio in the National Development Implementation and Communication Cabinet Committee is prescribed in Executive Order No. 1 of 2019 and entails overseeing the central framework for coordination of all national government development programmes and projects. His responsibilities include, providing supervisory leadership throughout the delivery cycle, offering guidance on mitigation of challenges, monitoring and evaluating progress and ensuring proper resource utilization and realization of the targeted outcomes and reporting on the same to His Excellency the President of the Republic of Kenya.



Mr. Keriako Tobiko is the Cabinet Secretary for the Ministry of Environment and Forestry. He was appointed by H.E the President to replace Prof. Judi Wakhungu in the last cabinet reshuffle that was done in January, 2018. Before his appointment, Tobiko was the Director of Public Prosecutions, the first holder of the office under the Constitution of Kenya 2010 having been first appointed in 2005.

He was re-designated as the Chief Public Prosecutor in August 2010 and appointed to head the independent constitutional office in June 2011. He is an advocate of the High Court of Kenya and formerly a lecturer at the University of Nairobi.

Mr. Tobiko is an alumni of the University of Nairobi and Cambridge University. He is the winner of GadhiSmarak Award for Best "A" Level student 1984 (Kenya), Barclays Cambridge Commonwealth Scholarship, 1990 for Kenya and Pegasus Cambridge Scholarship, 1990 as well as Fellow of Cambridge Commonwealth Society (FCCS).

He has served in other national institutions namely: The Commission of Inquiry into the Land Law Systems in Kenya (The Njonjo Land Commission, between 1999 – 2002) where he was a Commissioner. The Constitution of Kenya Review Commission (CKRC, between 2000-2005) where he was a commissioner; Appointed as Director of Public Prosecutions in 2005. Member of the Commonwealth Group of contact persons on International Cooperation in criminal matters from 2007 to date; From 2007 to-date, member of the Governing Council of the National Crime Research Centre (NCRC). Member of the Advisory Board of the Witness Protection Agency (WPA) from 2008 to date. Ad hoc Secretary to the Constitutional Advisory Committee on Prerogatory of Mercy in 2009. Served as Alternate to Hon. Attorney-General as member of the Ransely Task Force on Police Reforms in 2008-09. Re-designated as Chief Public Prosecutor in August 2010. Alternate to Hon. Attorney General as a Member of The Police Reforms Implementation Committee (PRIC) from 2010 to date. Appointed by the Hon. Attorney-General as the National contact person in relation to cooperation with ICC from March 2010 to-date. Appointed to team up with Hon. Attorney-General and Solicitor-General to represent GOK

in the proceedings before the ICC in relation to the 2007/08 Post Election Violence in Kenya from March 2011. During his stint as the Chief Public Prosecutor, Mr. Tobiko's principle and philosophy on justice can be summed up in the following words of William Orville Douglas, an Associate Justice of the United States Supreme Court and the longest-serving Justice in the history of the US Supreme Court: "The function of the prosecutor under the federal constitution is not to tack as many skins of victims as possible against the wall. His function is to vindicate the rights of the people as expressed in the laws and give those accused of crime a fair trial.



Hon. Mwangi Kiunjuri is the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation, a position he was appointed to by H.E The President on 26th January, 2018. Prior to this appointment he served as the Cabinet Secretary in the Ministry of Devolution and Planning for 2 years.

Hon. Kiunjuri has served in various other capacities in the past including serving as the Chairperson Kenya Athi Water Services Board in 2015. From 2002-2013 he served as an Assistant Minister in the Ministry of Water and Irrigation for three years, Assistant Minister in the Ministry of Energy for five years and the Ministry of Public Works for two years.

Hon. Kiunjuri is a well accomplished political leader, who was elected at 27 years to Parliament as the MP for Laikipia East Constituency. He was re-elected for three consecutive terms for a total period of 15 years. He later formed a political party, the Grand National Union (GNU) where he served as the Party Leader; the party fielded candidates in the 2013 general elections and was one of the best new performing parties. He also served as Organizing Secretary of the Democratic Party Youth Congress, Kenya; Chairman of the Democratic Youth Initiative and Vice Chairman of the powerful Parliamentary Investment Committee (PIC) during his first term in Parliament.

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements For the year ended 30th June, 2019

Hon. Mwangi Kiunjuri's academic background is in management and education. He holds a Global Master's Degree in Business Administration from United States International University – Africa (USIU) and a Bachelor of Arts degree in Education from Moi University. Hon Kiunjuri is a proud father, golfer, football fan and a distinguished political mobilizer. He is also known for being resilient and a dependable team player.

Fiduciary Management

During the financial year under focus, LSF operations were undertaken by the Fund secretariat and administered by the principal secretary at the time in charge of the Ministry of Lands and Physical Planning. The officer administering the fund therefore hereby submits the report of the fund and the financial statements for the year ending 30th June 2019.

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

No.	Designation	Name
1.	Principal Secretary	- Dr. Nicholas Muraguri
2.	Director of LAS	- Paul K. Mwangi
3.	Chief Accountant	- David Kimotho

MANAGEMENT TEAM

1. Paul K. Mwangi M.A, Environmental Planning and Management (UON), Bsc (UON)- (Hons)	Director Land Adjudication and Settlement
2. Ndung'u Kiarie MBA-Strategic Management, Bcom - Accounting and Taxation, CPA	Principal Finance Officer
3. David Kimotho MBA-Finance Bcom – Finance & Accounting CPAK	Accountant, LSF

4. MANAGEMENT REPORTS

THE PRINCIPAL SECRETARY'S REPORT

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

The performance of the department in the year 2018 – 2019 wasn't as envisaged. However, there is room for improvement. There is need to implement land adjudication sections and settlement schemes as projects so as to fast track issuance of title deeds

Challenges

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

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

Concluding remarks

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

DIRECTOR OF LAND ADJUDICATION AND SETTLEMENT'S REPORT

Statement of the Director of Land Adjudication and Settlement's Responsibilities on the Financial Statements for the Year Ended 30th June 2019

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

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

5. STATEMENT OF THE ADMINISTRATOR OF THE FUND

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

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

I am of the opinion that the attached appropriations and other financial statements present fairly financial state of affairs of the Agricultural Settlement Fund as at 30th June 2019.

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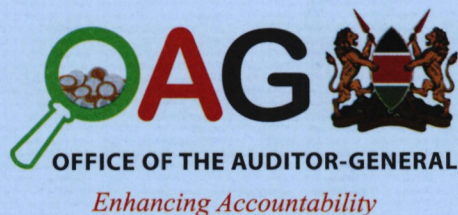
Accounting Officer/ Receiver of Revenue/Administrator of National Public Fund

The Principal Secretary,

Ministry of Lands and Physical Planning.

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LAND SETTLEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019 - MINISTRY OF LANDS AND PHYSICAL PLANNING

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Land Settlement Fund set out on pages 1 to 16, 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 statements 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Unsupported Balances

The statement of cash flows reflects a balance of Kshs.11,275,052,477 described as adjustments in working capital whose workings were not provided for audit review. Further, and as previously reported, the statement of changes in net assets as at 30 June, 2019 reflects transfers to and from accumulated surplus totalling to Kshs.11,665,052,516. However, Management did not provide details of where the balances were transferred to or from, and supporting schedules for the balances transferred were also not availed for audit verification.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Receivables from Non-Exchange Transactions

As disclosed in Note 9 to the financial statements, the statement of financial position reflects a balance of Kshs.12,491,957,849 under receivables from non-exchange transactions. The following observations were noted;

Report of the Auditor-General on Land Settlement Fund for the year ended 30 June, 2019 - Ministry of Lands and Physical Planning

2.1 Accuracy of the Opening Balances

As reported in the previous year, the receivables balance excludes opening balances of various items as summarized below;

Item	Amount Kshs.
Land Loans Issued	278,975,885
Rescue Loan Issued	550,019
Land Loans Principal Billed	(610,055,404)
Billed amount settlers	3,494,524,091
Development Loans Principal Billed	(189,149,529)
Rescue Loans Principal Billed	(240,198)
Cane Development Costs - Suspense	(5,139,967)
Other Recoverable expenses	9,820,460
General Debtors	32,353,374
Trade Investment	59,263,387
Advances	10,567,668
Suspense Debit Items	64,507,005
Loan Repayment Collection	(2,161,547,241)
Agency Accounts (debits)	257,000

Although Management wrote to The National Treasury requesting for authority to write-off the balances, the approval has not been granted.

2.2 Long Outstanding Imprest

The receivables balance also includes imprest balance of Kshs.22,952,980 out of which imprest totalling Kshs.3,007,300 was due but had not been surrendered as at the time of audit. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to the duty station. Regulation 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank rate. Although Management has written to the relevant institutions for recoveries to be effected from the officers' dues and remitted to the Fund, progress made has not been disclosed.

The Fund Management is therefore in breach of the law.

2.3 Long Outstanding Land and Development Loans

The receivables balance further includes amounts of Kshs.6,983,399,323 and Kshs.70,931,965 in respect of land loans receivables and development loans receivables respectively. However, a review of the supporting schedules indicated that these loans were issued to settlers from the year 1962 but remained outstanding as at

30 June, 2019. No explanation has been provided for the long outstanding balances on land and development loans.

2.4 Long Outstanding Interest Receivable

The receivables balance in addition, includes interest receivable balance of Kshs.5,264,673,581 which has accumulated over the years on loans issued to settlers since 1962 and whose recoverability remains doubtful as at 30 June, 2019. In the circumstance, the accuracy, completeness validity and recoverability of the receivables from non-exchange transactions balance of Kshs.12,491,957,849 as at 30 June, 2019 could not be confirmed.

3. Inaccuracy of Trade and Other Payables from Exchange Transactions

As disclosed in Note 11 to the financial statements, the statement of financial position reflects a balance of Kshs.397,676 under trade and other payables from exchange transactions. However, and as previously reported, the balance excludes unsupported opening balances as detailed below;

Item	Amount (Kshs.)
Refundable Deposits from Customers	93,343,385
Provisions	11,676
Agency Accounts (credits)	125,425
Other Creditors	3,150,139
Accrued Interest on Loan	301,500
Reserve for Bad Debts	6,602,797
Suspense Credit Items	(122,806,862)
Fund Drawn from Treasury	5,153,814

Management has not explained the circumstances which led to a debit balance in payables, an indication that the creditors were overpaid.

In the circumstances, the accuracy, completeness and validity of the trade and other payables from exchange transactions balance of Kshs.397,676 as at 30 June, 2019 could not be confirmed.

4. Non- Resettlement of Internally Displaced Persons

As per sales agreement dated 3 October, 2012, the Fund purchased land, Kisima Njoro L.R. No. 9216 at a cost of Kshs.396,984,000 for resettlement of Internally Displaced Persons (IDPs). However, during a physical verification of the farm in the month of September, 2019, it was noted that the land had not been surveyed or subdivided and therefore, the beneficiaries had not been resettled.

Consequently, the objective for which the land was acquired had not been achieved as at 30 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit 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 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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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 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. I also consider internal control, risk management and overall governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and overall governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Land Settlement 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 December, 2020

1. FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2018-2019	2017-2018
		Kshs	Kshs
INCOME			
Settlement Revenue	1	340,000,000	31,226,897
Settlement Interest	2	<u>19,069,734</u>	<u>453,120,957</u>
Total revenue		359,069,734	484,347,854
EXPENSES			
Accommodation & subsistence Allowance	3	115,206,640	61,111,355
Repairs and maintenance	4	5,800,250	6,038,274
Pre-Settlement Development Costs	5	10,636,580	9,816,965
General expenses	6	187,989,351	184,166,046
Finance costs	7	236,472	548,724
Total expenses		<u>319,869,293</u>	<u>261,681,364</u>
Surplus/Deficit		<u>39,200,441</u>	<u>222,666,490</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial statements. The entity financial statements were approved on 30-09 2019 and signed by:

Principal Secretary

Director of Land Adjudication and Settlement

Sign.....*murag*

Sign.....*[Signature]*

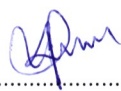
Date 30-09-2019

Date 30-09-2019

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements For the year ended 30th June, 2019****STATEMENT OF FINANCIAL POSITION**STATEMENT OF FINANCIAL POSITION as at 30th June, 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	8	773,348,363	632,840,316
Receivables from non-exchange transactions	9	12,491,957,849	<u>1,324,349,149</u>
Total Current assets		13,265,306,212	1,957,189,465
Non-current assets			
Property, plant and equipment	10	7,726,760	6,727,780
Total Non - current assets		7,726,760	6,727,780
Total assets		13,273,032,972	1,963,917,245
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	<u>397,676</u>	<u>4,723,898</u>
Total Current Liabilities		397,676	4,723,898
Non-current liabilities			
Borrowings	12	6,465,052	7,276,061
Total Non- current liabilities		6,862,728	7,276,061
Total liabilities		(6,836,371)	11,999,959
Net assets		<u>13,266,170,244</u>	<u>1,951,917,285</u>
Net Assets and Equity			
Revenue Reserves	13	13,266,170,244	1,561,917,285
Land Purchase grant		-	<u>390,000,000</u>
Total net Assets and equity		<u>13,266,170,244</u>	<u>1,951,917,285</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on30-09..... 2019 and signed by:

Signature **Principal Secretary**Signature **Director of Land Adjudication and Settlement**

LAND SETTLEMENT FUND (LSF)
Reports and Financial Statements For the year ended 30th June, 2019

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS for the year ended 30th June, 2019

	Land Purchase Grants	Accumulated Surplus	Total
As at 30-Jun-2017	10,680,050,422	(1,363,482,729)	9,316,567,693
Revolving Fund - Seasonal Loans			-
Surplus/ Deficit for the Period.	-	222,666,492	222,666,492
Grants Received	390,000,000		390,000,000
Transfers to/from accumulated surplus	(10,680,050,422)	2,702,733,524	(7,977,316,898)
Accumulated surplus		-	-
As at 30-Jun-2018	390,000,000	1,561,917,285	1,951,917,285
Prior Year Adjustment		-	-
Grants Received	-		-
Surplus for the Period.		39,200,441	39,200,441
Transfers to/from accumulated surplus	-	11,665,052,516	11,665,052,516
As at 30-Jun-2019	390,000,000	13,266,170,242	13,656,170,242

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements For the year ended 30th June, 2019****STATEMENT OF CASH FLOW**STATEMENT OF CASH FLOW for the year ended 30th June, 2019

	2018-2019	2017-2018
	Kshs	Kshs
Cash flows from operating activities		
Receipts		
Settlement revenue	340,000,000.00	31,226,897.00
Settlement interest	19,069,734.00	453,120,957.00
Total Receipts	359,069,734.00	484,347,854.00
Payments		
Accommodation & subsistence Allowance	115,206,640.00	61,111,355.00
Repairs and maintenance	5,800,250.00	6,038,274.00
Finance cost	236,472.00	548,724.00
Pre-Settlement Development Costs	10,636,580.00	9,816,965.00
General Expenses	187,989,351.00	184,166,046.00
Total Payments	319,869,293.00	261,681,364.00
Adjustments		
Changes in receivables	(11,167,608,700.00)	(97,422,743.00)
Changes in payables	(4,326,222.00)	18,842,025.00
Adjustments in working Capital	11,275,052,477.00	(506,934,253.00)
Net cash flows from operating activities	142,317,996.00	(362,848,481.00)
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(998,980.00)	(6,727,780.00)
Net cash flows used in investing activities	(998,980.00)	(6,727,780.00)
Cash flows from financing activities		
Grants received	-	390,000,000.00
Repayment of borrowings	(811,009.00)	(2,094,962.00)
Net cash flows used in financing activities	(811,009.00)	387,905,038.00
Net increase/(decrease) in cash and cash equivalents	140,508,007.00	(19,638,256.00)
Cash and cash equivalents at 1st JULY	632,840,316.00	652,478,572.00
Cash and cash equivalents at 30th JUNE	773,348,363.00	632,840,316.00

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements For the year ended 30th June, 2019

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS						
RECEIPTS/PAYMENTS ITEM	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	VARIANCE	%OF VARIANCE
RECEIPTS/PAYMENTS ITEM	A	B	C=A+B	D	E=D-C	F=E/C%
SETTLEMENT REVENUE	80,000,000.00		80,000,000.00	19,069,734.00	-60,930,266.00	-0.76
VOTED PROVISION	340,000,000.00		340,000,000.00	340,000,000.00	0.00	0.00
SFT CASH BOOK /BANK BALANCE	632,840,315.50		632,840,315.50	632,840,315.50	0.00	0.00
					0.00	
TOTAL RECEIPTS	1,052,840,315.50	-	1,052,840,315.50	991,910,049.50	-60,930,266.00	-0.06
					0.00	
EXPENSES			-			
PURCHASE OF LAND	390,000,000.00		390,000,000.00		390,000,000.00	-1.00
PURCHASE OF FIXED AND LOOSE ASSETS	50,000,000.00		50,000,000.00		-50,000,000.00	-1.00
					0.00	
SUB TOTAL CAPITAL EXPEDITURE	440,000,000.00		440,000,000.00		440,000,000.00	-1.00
					0.00	
OPERATING EXPENSES			-			
TAVELLING AND ACCOMODATION	75,000,000.00		75,000,000.00	115,206,640.00	40,206,640.00	0.54
REPAIRS AND MAINTANCE	8,000,000.00		8,000,000.00	5,800,250.00	-2,199,750.00	-0.27
PRE-SETTLEMENT DEV COST	11,000,000.00		11,000,000.00	10,636,580.00	-363,420.00	-0.03
FINANCE COST	236,472.00		236,472.00	236,472.00	0.00	0.00
REFUNDS	963,528.00		963,528.00	0.00	-963,528.00	-1.00
GENERAL EXPENSES TOTALS	242,620,620.00		242,620,620.00	187,989,351.00	-54,631,269.00	-0.23
					0.00	
	337,820,620.00		337,820,620.00	319,869,293.00	-17,951,327.00	-0.05
DEFICIT /SURPLUS	275,019,695.50		275,019,695.50	672,040,756.50	397,021,061.00	

6. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparations IPSAS I

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

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

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

2. Summary of significance accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

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

ii) Revenue from exchange transactions – IPSAS 9

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

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

The entity is not taxable

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Provisions – IPSAS 19

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

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

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

f) Changes in accounting policies and estimates – IPSAS 3

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

g) Foreign currency transactions – IPSAS 4

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

h) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

i) Related parties – IPSAS 20

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of board of trustees are regarded as related parties and comprise the Officer administering the Fund, Cabinet Secretary in charge of Finance, Cabinet Secretary in charge of Agriculture, Livestock and Fisheries and Cabinet Secretary in

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Comparative figures

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

l) Provisions

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

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

m) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

1. Settlement revenue

	2018-2019	2017-2018
	KShs	KShs
Land Settlement Grant	340,000,000	31,226,897
Settlement revenue	<u>340,000,000</u>	<u>31,226,897</u>

2. Settlement interest

	2018-2019	2017-2018
	KShs	KShs
Land Loans Interest	19,069,734	38,397,359
Other Interest	-	414,723,598
	<u>19,069,734</u>	<u>453,120,957</u>

3. Accommodation & subsistence Allowance

	2018-2019	2017-2018
	KShs	KShs
Travel, motor car, accommodation, subsistence and other	<u>115,206,640</u>	<u>61,111,355</u>
	<u>115,206,640</u>	<u>61,111,355</u>

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements For the year ended 30th June, 2019**

4. Repairs and maintenance

	2018-2019	2017-2018
	KShs	KShs
Repairs and maintenance	5,800,250	6,038,274
	<u>5,800,250</u>	<u>6,038,274</u>

5. Pre-Settlement Development Costs

	2018-2019	2017-2018
	KShs	KShs
Actuarial Valuations	10,636,580	8,678,480
Investment Valuations	-	1,138,485
	<u>10,636,580</u>	<u>9,816,965</u>

6. General expenses

	2018-2019	2017-2018
	KShs	KShs
Admin fees	182,049,775	178,307,440
Fuel and oil	2,255,060	2,324,401
Miscellaneous Expenses	3,247,035	3,285,956
Postage	135,416	117,780
Other Expenses	302,065	130,469
	<u>187,989,351</u>	<u>184,166,046</u>

7. Finance Cost

	2018-2019	2017-2018
	KShs	KShs
Borrowings (amortized cost)	<u>236,472</u>	<u>548,724</u>
	<u>236,472</u>	<u>548,724</u>

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements For the year ended 30th June, 2019**

8. Cash and cash equivalents

	2018-2019	2017-2018
	KShs	KShs
Bank	773,303,873	632,798,897
Cash-on-hand and in transit	44,490	41,419
Total cash and cash equivalents	<u>773,348,363</u>	<u>632,840,316</u>

9. Receivables from non-exchange transactions

	2018-2019	2017-2018
	KShs	KShs
Undistributed Holdings/Inventory	150,000,000	150,000,000
Land Loans Issued	6,983,399,323	-
Development Loan Issued	70,931,965	38,489,317
Billed Amounts - Settlers	-	1,086,769,563
Interest Receivable	5,264,673,581	
General Debtors	-	7,182,174
Imprests	22,952,980	41,908,095
	<u>12,491,957,849</u>	<u>1,324,349,149</u>

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements For the year ended 30th June, 2019

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT SCHEDULE AS AT 30th JUNE, 2019

Property, Plant and Equipment Schedule									
	Land and Buildings	Fixed & Loose Assets	Motor Vehicles	Office Equipme	Work - in - Progress	Total			
Cost	KShs	KShs	KShs	KShs	Shs 000	KShs			
At 1st July 2017	7,394,159,443.00	38,680,431.00	-	-	-	7,432,839,874.00			
Additions	-	-	-	-	6,727,780.00	6,727,780.00			
Disposals	-	-	-	-	-	-			
Transfer/adjustments	(7,394,159,443.00)	(38,680,431.00)	-	-	-	(7,432,839,874.00)			
At 30 June 2018	-	-	-	-	6,727,780.00	6,727,780.00			
Depreciation and impairment									
At 1 July 2017	-	-	-	-	-	-			
Depreciation	-	-	-	-	-	-			
Impairment	-	-	-	-	-	-			
TOTAL 30 Jun 18	-	-	-	-	-	-			
Cost									
Cost At 1st July 2018	-	-	-	-	6,727,780.00	6,727,780.00			
Additions	-	-	-	-	998,980.00	998,980.00			
Disposals	-	-	-	-	-	-			
Transfer/adjustments	7,726,760.00	-	-	-	(7,726,760.00)	-			
At 30 June 2019	7,726,760.00	-	-	-	-	998,980.00			
Depreciation & Impairment									
Depreciation 1 Jul 2018	NIL	NIL	NIL	NIL	NIL	NIL			
Disposals	-	-	-	-	-	-			
Impairment	-	-	-	-	-	-			
Transfer/adjustment	-	-	-	-	-	-			
TOTAL 30 Jun 2019	NIL	NIL	NIL	NIL	NIL	NIL			
NET BOOK VALUES									
At 30 June 2019	7,726,760.00	-	-	-	-	7,726,760.00			
At 30 June 2018	-	-	-	-	6,727,780.00	6,727,780.00			

LAND SETTLEMENT FUND (LSF)**Reports and Financial Statements For the year ended 30th June, 2019**

11. Trade & Other payables	2018-2019	2017-2018
	KShs	KShs
Retention	397,676	297,778
Deposits	-	4,426,120
	<u>397,676</u>	<u>4,723,898</u>
12. Borrowings	2018-2019	2017-2018
	KShs	KShs
GOK Loan (1989)	4,987,054	5,612,655
GOK Loan (1990)	<u>1,477,998</u>	<u>1,663,406</u>
	<u>6,465,052</u>	<u>7,276,061</u>
13. Revenue Reserves	2018-2019	2017-2018
	KShs	KShs
Profit and Loss Items	1,561,917,285	(1,363,482,729)
Transfers to/from accumulated surplus	11,665,052,516	2,702,733,524
Surplus for the year before tax	<u>39,200,441</u>	<u>222,666,490</u>
Revenue Reserves	<u>13,266,170,242</u>	<u>1,561,917,285</u>

LAND SETTLEMENT FUND (LSF)

Reports and Financial Statements For the year ended 30th June, 2019

14. Land Purchase Grant

2018-2019

2017-2018

Kshs.

Kshs.

For the year

-

390,000,000

-

390,000,000