

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

LOCAL AUTHORITIES PROVIDENT FUND

FOR THE YEAR ENDED

30 JUNE, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

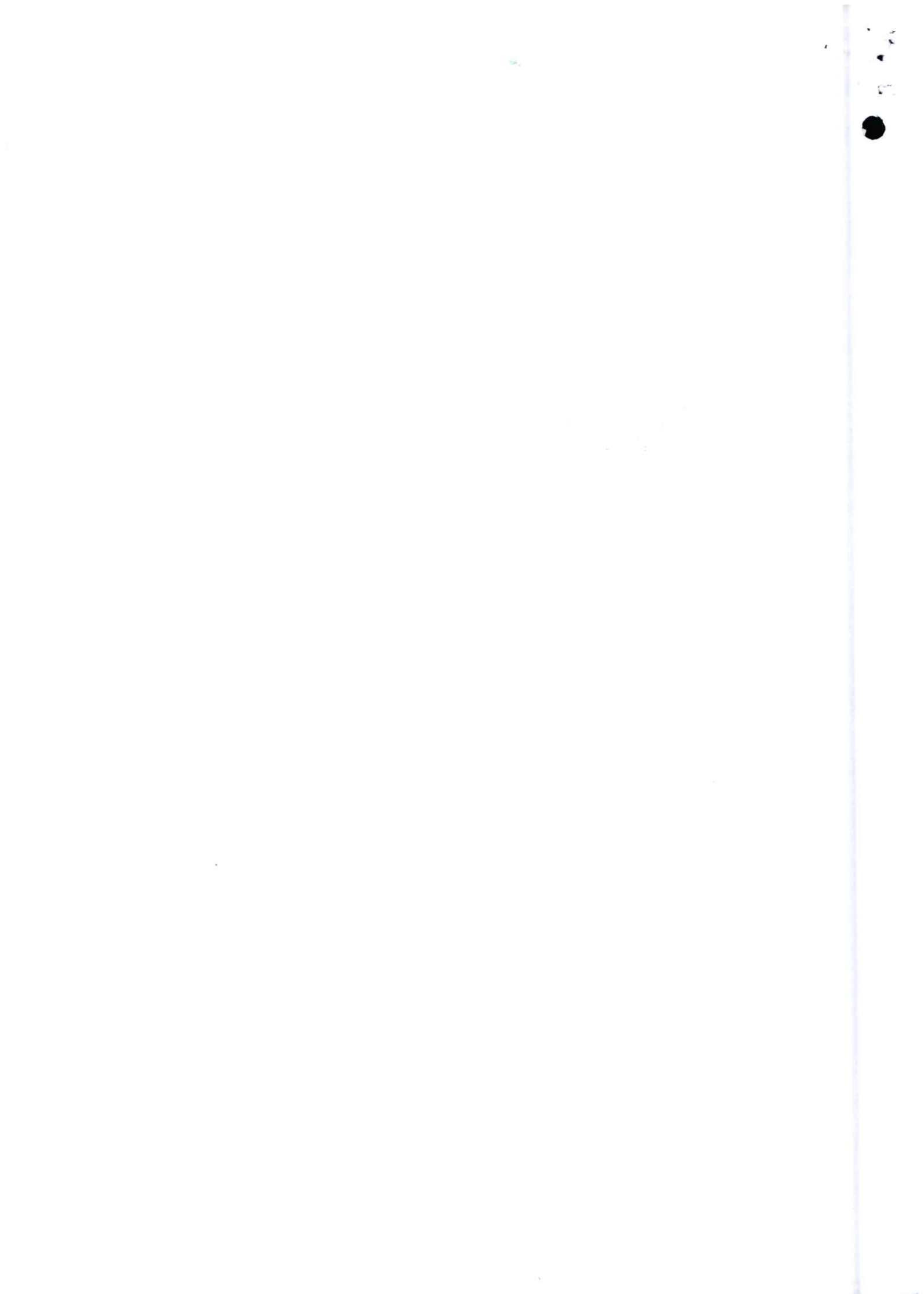
DATE: 02 OCT 2025

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Thursday

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Hon. Silvanus Oloo (Majority
Party Whip

Anastacia





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
★ 18 SEP 2025 ★
NATIONAL TREASURY OFFICE
TREASURY BUILDING



LOCAL AUTHORITIES PROVIDENT FUND (LAPFUND)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

**Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2025**

**Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2025**

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

BSC	Balanced Score Card
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
GLA	Group Life Assurance
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KRAs	Key Result Areas
LAPFUND	Local Authorities Provident Fund
MOU	Memorandum of Understanding
NSE	Nairobi Stock Exchange
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
RBA	Retirement Benefits Authority
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SMS	Short Messaging Service
TNTEP	The National Treasury and Economic Planning

B: Glossary of Terms

Fiduciary Management-	Members of Management directly entrusted with the responsibility of financial resources of the organisation
Comparative Year-	Means the prior period.

2. Key LAPFUND's Information and Management

(a) Background information

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

(b) Principal Activities

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

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

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

(c) Key Management

LAPFUND's day-to-day management is under the following key organs:

DESIGNATION	NAME
Board Chairman	Hon. Johnson Osoi
Board Member CGWU Representative	Hon. Roba Duba
Board Member Nurses Union Representative	Hon. Seth Sindani Ambusini Panyako
Board Member The National Treasury & Economic Planning Representative	Mrs. Geraldine Kyalo
Board Member	Hon. Beatrice P. C. Kones
Board Member	Mr. Samwel Kariuki Maina
Board Member	Ms. Christine Kibet
Board Member	Hon. Millicent Nyaboke Ogunda
Board Member	Ms. Halima Ali Omar
Chief Executive Officer	CPA Mbogoh Bernard
PA to the Chief Executive Officer (Joined in May 2025)	Ms. Linda Njeru
General Manager, Member Services	Mrs. Veronicah Soila Leseya
General Manager, Strategy and Planning	Mr. Galm Guracha Jaldesa
General Manager, Fund Management Services (Since May 2025)	CPA Chemashack Ndiwa
Corporation Secretary & General Manager Legal Services (Joined on 1st May 2025)	Ms. Velma Okoth
Manager, Research, Strategy & Business Development	CPA Sylvester Muoka Mutie
Manager, Internal Audit	CPA David Methu Thuku
Manager, Supply Chain	Mr. Daniel Kibet
Manager, Marketing & Member Recruitment	Mr. Eliud Kiborek
Manager, Property & Investments	CPA Eric Otieno
Manager, Benefits Administration (Since May 2025)	Ms. Rahab Nyakio
Manager, Marketing & Member Recruitment (Since May 2025)	Ms. Kennedy Owino
Manager, Risk & Compliance Manager (Since May 2025)	Mr. Simon Njunguna
Manager, Human Resource & Administration (Joined on 1st May 2025)	Mr. Eric Obiero
Manager, Information, Communication & Technology (Joined on 1st May 2025)	Mr. Kennedy Odero
Manager, Legal Services (Joined on 1st May 2025)	Ms. Caren Aiyabei

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

S/N	NAME	DESIGNATION
1	CPA Mbogoh Bernard	Chief Executive Officer
2	Ms. Linda Njeru	PA to the Chief Executive Officer (Joined in May 2025)
3	Mrs. Veronicah Soila Leseya	General Manager, Member Services
4	Mr. Galm Guracha Jaldesa	General Manager, Strategy and Planning
5	CPA Chemashack Ndiwa	General Manager, Fund Management Services (Since May 2025)
6	Velma Okoth	Corporation Secretary & General Manager Legal Services (Joined on 1st May 2025)
7	CPA Sylvester Muoka Mutie	Manager, Research, Strategy & Business Development
8	CPA David Methu Thuku	Manager, Internal Audit
9	Mr. Daniel Kibet	Manager, Supply Chain
10	Mr. Eliud Kiborek	Manager, Marketing & Member Recruitment
11	CPA Eric Otieno	Manager, Property & Investments
12	Ms. Rahab Nyakio	Manager, Benefits Administration (Since May 2025)
13	Mr. Kennedy Owino	Manager, Marketing & Member Recruitment (Since May 2025)
14	Mr. Simon Njunguna	Manager, Risk & Compliance Manager
15	Mr. Eric Obiero	Manager, Human Resource & Administration (Joined on 1st May 2025)
16	Mr. Kennedy Odero	Manager, Information, Communication & Technology (Joined on 1st May 2025)
17	Ms. Caren Aiyabei	Manager, Legal Services (Joined on 1st May 2025)

(e) Fiduciary Oversight Arrangements

LAPFUND has put in place key fiduciary oversight arrangements covering:

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

(f) Head Quarters

P.O. Box 79592 – 00200
316 Upperhill Chambers, 2nd Ngong Avenue
Nairobi, KENYA
ISDN 0709 805 000, 0709 805 100
E-mail: info@lapfund.or.ke
Website: www.lapfund.or.ke

(g) Contacts

Telephone: +254 709 805 000, +254 709 805 100, +254 709 805 700
E-mail: info@lapfund.or.ke
Website: www.lapfund.or.ke

Local Authorities Provident Fund (LAFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2025

Branch Offices

Coast

2nd Floor, Imara Building
Dedan Kimathi Road

Mombasa

Telephone: +254 709 805 300
mombasaoffice@lapfund.or.ke

South Rift

1st Floor, Polo Centre
Kenyatta Avenue

Nakuru

Telephone: +254 709 805 500
nakuruoffice@lapfund.or.ke

Central

1st Floor, Fortress House
Kimathi Way

Nyeri

Telephone: +254 709 805 400
Nyerioffice@lapfund.or.ke

Western

2nd Floor, Almran Plaza
Oginga Odinga Street

Kisumu

Telephone: +254 709 805 600
kisumuoffice@lapfund.or.ke

Upper North Eastern

Desert Trail Building
Isiolo-Marsabit Main Road

Isiolo

Telephone: +254 709 805 000
isiolooffice@lapfund.or.ke

North Eastern

Lilac Centre, 1ST Floor
Off Kismayu Road

Garissa

Telephone: +254 709 805 000
garissaoffice@lapfund.or.ke

(h) Bankers

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

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

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

Kenya Commercial Bank
Gateway Park / Kipande House
P.O Box 27618 – 00506
Nairobi, Kenya

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

Gulf African Bank
Kenyatta Avenue
+254711075000
customercare@gab.co.ke
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112, 00200
Nairobi, Kenya

Our Vision

The preferred savings and retirement benefits provider.

Our Mission

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

Our Core Values

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

Integrity
Customer Centricity
Accountability
Responsiveness
Excellence

3. The Board of Directors

The Board of Directors were appointed on by four different gazette notices. The Chairperson was appointed on 30th June 2023 vied Kenya Gazette Notice No. 8472. Ministry of National Treasury and Economic Planning later appointed the rest of the board members as per gazette Notice No. 3666 dated 27th February 2023, gazette Notice No. 14584 and 14804 of November 2024 and a circular Ref. TNT/ZZ/253/01/A/J of 10th February 2025.

LAPFUND is currently represented by nine board members as listed below

Hon. Johnson P. Osoi MBS
Board Chairperson
Appointed on 29th June 2023.



Mr Osoi was the Speaker of Kajiado County Assembly from 2013 – July 2022. He founded and chaired the County Assemblies' forum, an umbrella body of the 47 County Assemblies of the Republic of Kenya. He headed diagnostic platforms in Eastern and Western Africa with BD East Africa Ltd.

He holds a diploma in Pharmacy from Kenya Medical Training College, an advocate of the High Court of Kenya and a member of the Chartered Institute of Arbitrators, UK. He also holds a BA and MA in Public Administration. Osoi is result oriented and a self-driven professional who works with minimal or no supervision.

Hon. Beatrice P.C Kones
Board Member
Appointed 6th March, 2023.



Hon. Kones is an educationist and a seasoned politician. She has many years of experience in law-making, advocacy of public interest, oversight of public funds, and stakeholder engagement.

Mr. Samwel Kariuki Maina
Board Member
Appointed 6th March, 2023.



Mr. Maina is an educationist and a businessman with vast experience in financial management and resource mobilization skills.

Millicent Nyaboke Ogunda
Board Member
Appointed on 8th November 2024



Ms. Millicent Nyaboke Ogunda is a teacher by profession. Over twenty years She served in the Kenyan Education Sector.

She later served in the county assembly of Homabay as a Member of County Assembly with an unmatched passion in revitalizing public institutions.

Ms. Christine Kibet
Board Member
Appointed 6th March, 2023.



Ms. Kibet is an industrial technology medical engineer. She has vast experience in installation, calibration, maintenance and electrical safety testing of clinical equipment, devices, and systems.

Mr. Seth Panyako
Board Member
Appointed 27th February, 2023.



Mr. Panyako is a nurse by profession and is a seasoned trade unionist with unmatched passion in advocating for the rights of workers.

He is currently the Secretary General of the Kenya National Union of Nurses, a position he has held since 2013.

Hon. Roba Duba
Board Member
Appointed 27th February, 2023.



Hon. Roba Duba is a career civil servant. He served as a Town Clerk in the previous government dispensation. Hon. Duba is an advocate for workers' rights and is the current Secretary General of the Kenya County Government Workers Union (KCGWU)

Ms. Halima Ali Omar
Board Member
Appointed on 15th November 2024



Ms. Halima Ali Omar is a Certified Secretary (Cs) and a Certified Human Resource professional Kenya (CHRP K) with a master's degree in business administration and an undergraduate degree in Business Administration

Ms, Omar has close to twenty years of work experience in both private and public sector. Ms Omar has previously served in the board of Industrial and Commercial Development cooperation now known as KDC.

Geraldine Kyalo
Board Member
Appointed on 10th February 2025



Geraldine Kyalo is an experienced Economist with strong economic and financial background and over 10 years of professional experience in Budgeting, policy formulation, implementation and Public Finance and debt management at the National Treasury.

She holds a bachelor's and a master's degree in economics from the University of Nairobi. She is also a Certified Public Accountant (CPA)

Mr. Bernard Mbogoh
Chief Executive Officer



Mr. Mbogoh holds a Bachelor of Arts degree in Economics from Kenyatta University and is a Certified Public Accountant, CPA(K)

He has a wide area of expertise in Financial, Investments Management, Reporting, Pension Management and Human Resource.

Previously served as a trained Auditor and Human Resource Expertise. He has served for over 20 years in different capacities at LAPFUND.

Ms. Velma Okoth
Corporation Secretary & General Manager, Legal Services



Velma Okoth is a highly accomplished legal and governance executive, celebrated for her visionary leadership and transformative impact in the financial services sector. An Advocate of the High Court of Kenya with over 15 years of legal practice, Velma brings to the LAPFUND Board a distinguished track record in strategic legal advisory, corporate governance, compliance, and institutional reform.

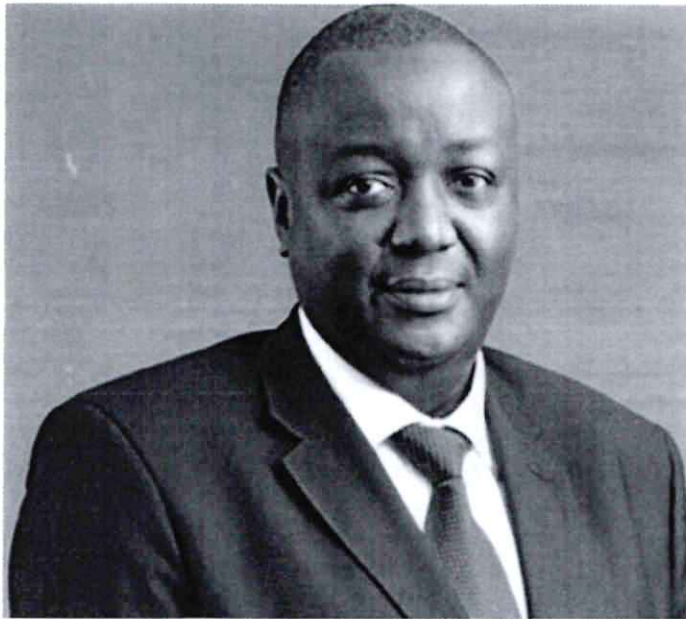
With over 12 years of executive experience in the pensions and investment sector, she has led high-stakes legal and regulatory functions, navigated complex transactions, and steered governance frameworks that have shaped organizational resilience and board effectiveness.

Velma holds a Bachelor of Laws (LLB) from Moi University, a Postgraduate Diploma in Law from the Kenya School of Law, and is a Certified Public Secretary (CPS-K) and Member of the Institute of Certified Secretaries (MICS). She is a graduate of the prestigious Leadership and Management Executive Programme at Johns Hopkins University, and holds advanced qualifications in Corporate Governance and Leadership from the Kenya School of Government and the KCB Leadership Centre.

Her work has been recognized at the continental level, having received the African Corporate Governance Conference (ACGC) Innovation Award for excellence and innovation in governance and corporate secretarial practice.

At LAPFUND, Velma is at the forefront of legal strategy, institutional governance, and compliance oversight—powering the Board’s strategic mandate with clarity, integrity, and unmatched expertise.

4. Management Team



Mr. Bernard Mbogoh
Chief Executive Officer
BA Economics, CPA (K)



Mrs. Veronicah Soila Leseya-Owende
General Manager, Member Services
Bachelor of Arts (Hons), AIK, CPAM



MS. Linda Njeru (Joined May 2025)
PA to the CEO
MBA(HRM), Bachelor of Arts (HRM), IHRM



Mr. Galm Jaldesa
General Manager Strategy & Planning
MBA, BCom Finance



Ms. Velma Okoth (Joined May 2025)
Corporation Secretary & Manager, Legal Services
LLB, LLM, Dip (KSL)



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



Ms. Chemashack Ndiwa
General Manager, Fund Management Services
MSC (Finance), BCom (Accounting), CPA(K)



CPA Sylvester Mutie
Manager, Strategy, Research & Business Development
MBA Finance, CPA (K), CPS, CIPS (M), BCom (Finance)



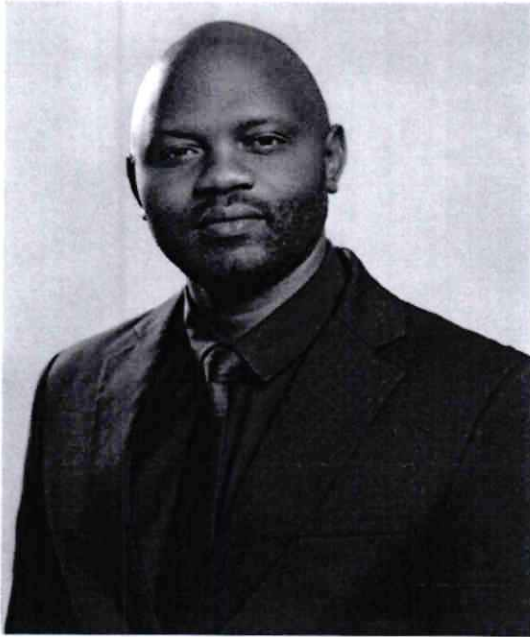
Mr. Eliud Kiborek
Manager Corporate Communications
BBM (Marketing)



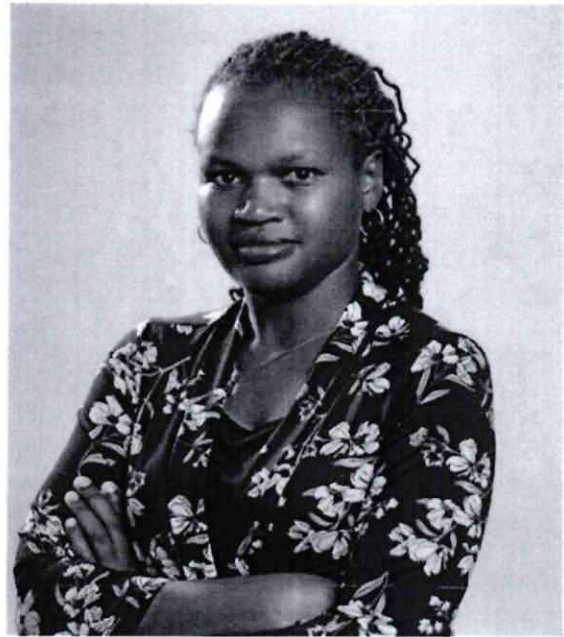
Mr. Daniel Kibet
Manager, Supply Chain
B Com, MCIPS, MKISM



Ms. Rahab Nyakio (Since May 2025)
Manager, Benefits Administration
Bachelor of Commerce



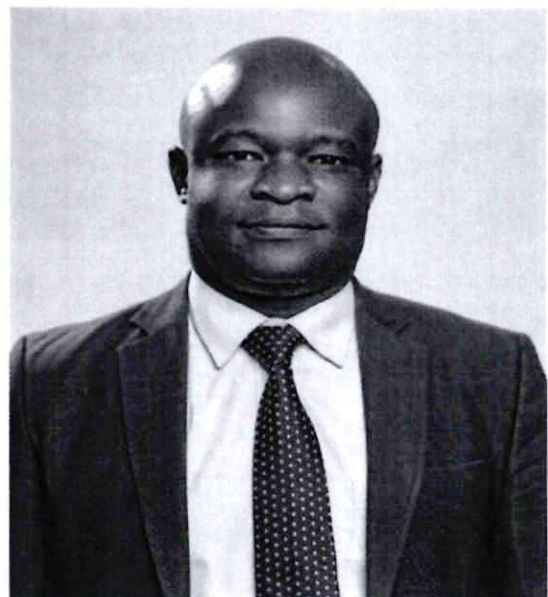
Mr. Kennedy Owino (Since May 2025)
Manager Member Recruitment Services
Bsc. Agribusiness mgt(EU)
Dip. Marketing (MSK)
Chartered Marketing Analyst (AAP)



Ms. Caren Aiyabei (Joined on 1st May 2025)
Manager Legal Services
LLB, Dip Law, Certified Mediator



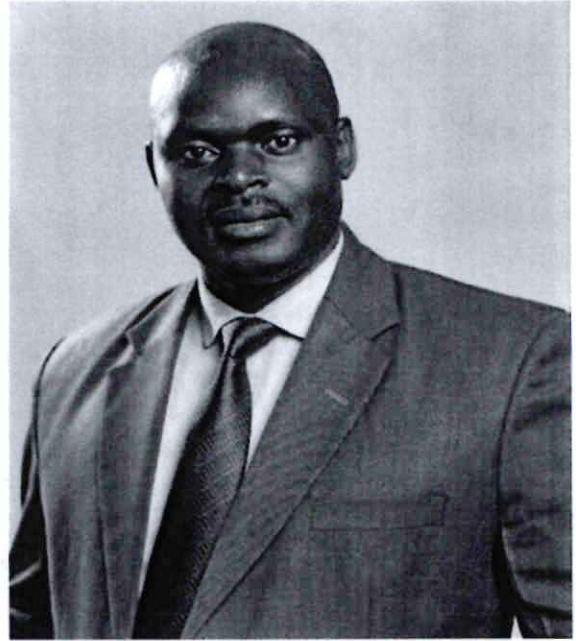
Mr. Kennedy Odera (Joined on 1st May 2025)
Manager, ICT
MA (Project Planning & Management),
BSc (Computer Science), Dip (Computer Science)



Mr. Erick Obiero (Joined on 1st May 2025)
Manager, Human Resource & Administration
CHRP (K), BA Business Administration
MSC. Strategic Management

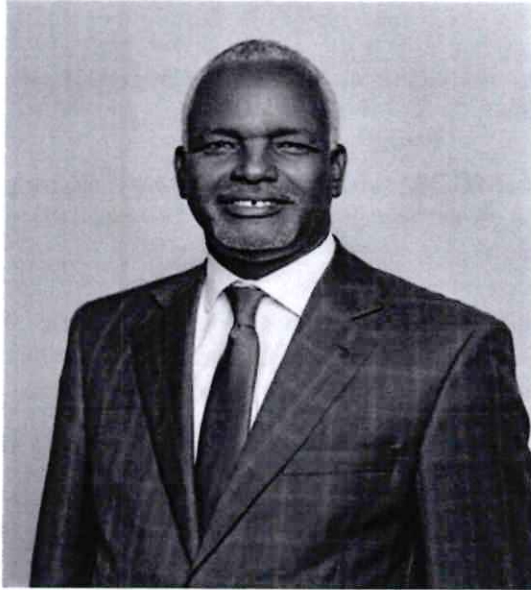


Mr. Simon Njuguna (Since May 2025)
Manager Risk & Compliance
MSc. (Data Science & Analytics)
BSc. (Actuarial Science)



CPA Erick Otieno (Since May 2025)
Manager Property & Investments
FA, CPA(K), MBA(Accounting),
BCom (Accounting)

5. Chairman's Statement



Dear Members,

I am delighted present to you Annual Report and Financial Statements for the period ended 30th June 2025.

As we close the 2024/2025 fiscal year, I am pleased to present the financial performance of the Local Authorities Provident Fund (LAPFUND). This period marks a significant milestone in our continued journey of institutional growth, service excellence, and strategic positioning.

Despite an evolving economic landscape and market volatilities, LAPFUND has remained steadfast in its mission to safeguard and grow our members' retirement savings. Our focus on sustainability, innovation, and a robust governance structure has allowed us to conclude the year on a high note.

Key Performance Highlights and Achievements

1. Asset Growth:

The Fund's total assets grew by 7%, reaching Kshs 71.2billion, compared to Kshs 66.31 billion at the close of the previous fiscal year. This growth was fuelled by disciplined contributions remittances, consistent returns on investments, and strategic asset reallocation to our service providers in line with the investment policy as guided by the Retirement Benefits Authority.

2. Investment Returns:

LAPFUND posted a three-year annualized investment return of 10.7%, outperforming industry benchmarks. This strong performance reflects prudent investment decisions across various asset classes including equities, fixed income, and alternative assets.

3. Membership Growth:

Membership increased by 8% from 77,340 members in 2024 to 83,274 as at end of June 2025. The growth in membership was spurred by aggressive on boarding of new county staff, targeted outreach to affiliated institutions, and enhanced digital registration platforms. Our entry into the informal sector and alternative pension markets also has began yielding results.

4. Operational Efficiency:

We successfully maintained operational expenditure within 2% of the fund value, in full alignment with the strategic plan for FY 2024–2029. This was achieved through the implementation of targeted strategies, including digital process automation and value-for-money procurement practices. These efficiency measures enabled the redirection of more resources toward enhancing member returns and improving service delivery.

5. Social Impact and ESG Initiatives:

Our ESG portfolio continued to expand, with investments towards climate-resilient infrastructure, clean energy, and social housing. The Fund made substantial progress on affordable housing projects

in Kisumu, Nairobi and Mavoko development. These investments are aligned with Kenya's Vision 2030, SDGs, and the Bottom-Up Economic Transformation Agenda.

6. Key Milestones

During the financial year, LAPFUND achieved several significant milestones that underscore its commitment to national development and member value.

- i. **Handover of Makasembo Housing Estate – Phase 1:** LAPFUND successfully handed over Phase 1 of the Makasembo Estate to beneficiaries, marking a major step in the LAPFUND's contribution to the Government's Affordable Housing Programme.
- ii. **Groundbreaking for Makasembo Phase 3:** The Fund also commissioned the commencement of Phase 3 of the Makasembo project. Both the handover and groundbreaking ceremonies were officiated by H.E. Dr. William Samoei Ruto, President of the Republic of Kenya and Commander-in-Chief of the Kenya Defence Forces.
- iii. **Launch of the 2024–2029 Strategic Plan:** LAPFUND officially launched its 2024–2029 Strategic Plan, which will serve as a blueprint for growth, operational efficiency, and long-term sustainability.
- iv. **13th Annual General Meeting (AGM):** In fulfilment of the statutory obligations, LAPFUND held its 13th Annual General Meeting, providing members with an opportunity to review the Fund's performance, approve financial statements, and engage with the leadership on the future direction of the Fund.

These milestones demonstrate LAPFUND's progress in delivering both financial and social value while aligning its objectives with the national development agenda.

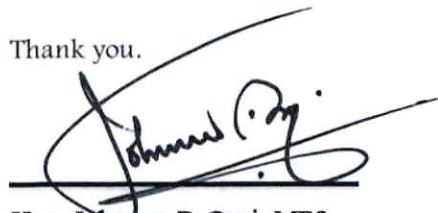
Outlook and Strategic Focus

As we transition into the 2025_2026 financial year, LAPFUND remains focused on deepening member engagement, expanding digital access, and exploring new investment frontiers. The implementation of our Strategic Plan 2024–2029 will be a guide in:

- i. Enhancing retirement benefit adequacy for our members
- ii. Expanding our membership footprint across counties and alternative markets
- iii. Embracing green finance and infrastructure development
- iv. Strengthening institutional risk and governance frameworks.

On behalf of the Board of Trustees, I extend my deepest appreciation to our stakeholders, members, County Governments, regulators, and partners for their unwavering trust and support during the year under review. To the management and staff, thank you for your dedication to excellence. Together, we remain committed to building a secure and dignified retirement future for all our members.

Thank you.



**Hon. Johnson P. Osoi, MBS
Chairman**

6. Report of the Chief Executive Officer

Dear Stakeholders,

It is with great honour and meekness that I present to you the Annual Report and Financial Statements for Local Authorities Provident Fund (LAPFUND) for the financial year ended 30th June 2025. This year has been one of strategic transformation, operational resilience, and renewed commitment to our core mission (securing the financial future of our members).

The 2024_2025 financial year witnessed remarkable progress across all key areas of our mandate. We recorded a 10% growth in member contributions, reaching Kshs. 9.4 billion, a clear testament to increased trust in our Fund and expanding coverage. In the same period, we disbursed Kshs. 6.38 billion in retirement benefits members, marking a 33% increase from the previous year. Our total assets grew to Kshs. 71 billion, while our investment performance exceeded target benchmarks thanks to a disciplined and diversified asset allocation strategy.



In the period under review, we commenced implementation of LAPFUND's 2024–2029 Strategic Plan which is in alignment with the Government's Bottom-Up Economic Transformation Agenda (BETA). This blueprint is anchored on five pillars: membership growth, financial sustainability, operational excellence, human capital development and enhanced governance. Our ambition is to onboard 250,000 new members over the strategic plan period, expand revenue generation and maintain minimal operating costs below 2% of the Fund value. Our commitment to innovation and efficiency has seen us invest significantly in automation and digital transformation. We have streamlined internal processes, enhanced risk management frameworks and reinforced compliance systems to ensure robust governance and institutional integrity.

Human capital remains the engine of our progress. Over the year, we rolled out comprehensive staff development programs aimed at improving productivity, fostering innovation, and nurturing a culture of performance. We also embraced a people-first leadership approach, ensuring that staff well-being, motivation and accountability are at the centre of our institutional transformation.

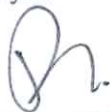
Despite facing inflationary pressures and a tightening macroeconomic environment, LAPFUND demonstrated remarkable agility. We approached challenges as opportunities to innovate, reimagine our operations, and accelerate strategic execution. Our resilience is evident in our financial results and in the growing confidence of our members and stakeholders.

In conclusion, I would like to express my deepest gratitude to our Board of Trustees for their steadfast leadership, our dedicated staff for their professionalism and commitment, and most importantly, our members for their continued trust in LAPFUND. As we look to the future, we remain guided by our

Local Authorities Provident Fund (LAPFUND)
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For the year ended June 30, 2025

purpose, to provide dignified retirement solutions and drive socio-economic impact across Kenya. Together, we are building a stronger, more inclusive and sustainable future.

Thank you



CPA Bernard Mbogoh
Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2024_2025

The Strategic Plan was premised on five Strategic Issues, and key metrics were developed within a Monitoring and Evaluation Framework for each strategic initiative to measure the progress of implementation. The Key Result Areas (KRA) were weighted for their contribution. The status as at the year ended June 2025 and the KRAs and respective weights are: -

Strategic Issue	Strategic Goal	KRA	Weight	Weighted Score	%
I.1: Membership base and stakeholder engagement	G 1: Enhance Membership Growth and Retention	KRA 1: Membership Base	14	6.92	49%
	G 2: Strengthen Stakeholder Engagement	KRA 2: Stakeholder Satisfaction	11	7.85	71%
I.2: Financial growth & sustainability	G 3: Ensure Long-Term Financial growth and Sustainability	KRA 3: Contribution Collection	9	8.13	90%
		KRA 4: Debt Management	9	7.70	86%
		KRA 5: Investment Returns	8	8.67	108%
		KRA 6: Cost Management	4	3.92	98%
I.3: Operational excellence	G 4: Improve Operational Efficiency	KRA 7: System Automation & Integration	11	5.47	50%
		KRA 8: Internal Processes, Procedures and Controls.	14	7.39	53%
		KRA 9: Risk Management	5	2	40%
I.4: Human resource Productivity & performance	G 5: Optimise human resource capacity	KRA 10: Institutional Capacity	7	3.77	54%
		KRA 11: Employee Motivation	6	2.31	38%
I.5: Effective Leadership & Governance	G 6: Enhance corporate Governance	KRA 12: Corporate Governance	2	1	50%

Strategic plan highlights for the period

- a) Completion and Handover of Phase I of Makasembo Estate in Kisumu and Launch of Phase III.
- b) Implementation of Bellevue Park Residences in Nairobi in compliance with the Bottom-Up Transformation Agenda.
- c) We trained 20,675 members on Retirement benefits and planning against the annual target of 18,000.
- d) We raised funds from new sponsors towards the launch of the 2024-29 Strategic Plan and partnered with Stakeholders in 12 forums.
- e) The Fund Managers achieved a return on investments of 29% for the year against the target of 3% above the inflation rate of 3.82% in June 2025.
- f) We Refunded Benefits to members & their beneficiaries, Kshs 6.3billion.
- g) Increased Fund Value: The Fund Value grew from Kshs. 66.35 billion to Kshs. 72.1 billion.
- h) Maintained turnaround time in claim processing improved to an average of 9 days
- i) Improved access to information by members by automatically sending statements via email
- j) Maintained Customer Feedback Channels: we provided and maintained multiple feedback channels, including email, a toll-free line, an interactive website, a member's portal, social media and USSD (*632#)
- k) Promoted Staff Teamwork: Promoted teamwork and cohesion among staff through interdepartmental activities

Strategic Plan Implementation Challenges.

We encountered several challenges during implementation of the Strategic Plan, including:

- a) Increase in Debt: Failure by sponsors to remit contributions.
- b) Stiff Industry Competition: Strong competition from industry peers and substitute products posed significant challenges.
- c) Legal: Court ruling against the CGRS Act, 2019, limited our operations
- d) Budget Cuts during the approval process affected implementation.
- e) Low brand visibility and recognition in alternative markets affected recruitment and uptake

8. Corporate Governance Statement

The Board of Trustees of LAPFUND is committed to ensuring that the Fund is managed prudently and delivers value to its members within a framework of strong corporate governance. The Board recognizes that effective governance is essential to LAPFUND's performance and long-term sustainability.

To this end, the Board regularly reviews the Fund's policies, procedures, and the stewardship of its assets and resources. These efforts are guided by LAPFUND's Vision, Mission, and Core Values, with the goal of enhancing stakeholder value.

The day-to-day operations are delegated to the Management of the Fund, although the Board retains overall responsibility for financial oversight, legal and regulatory compliance, and strategic monitoring. This ensures that the Fund is managed ethically, transparently, and in alignment with its strategic objectives.

i. Appointment of The Board of Directors

The Board comprises 11 (eleven) non-executive members and a secretary who is also the Chief Executive Officer of LAPFUND. The Board members were appointed on 6th March 2023 via gazette Notice No. 2871. The Chairperson was appointed on 29th June 2023 via Kenya Gazette Notice No. 8472.

The Board is responsible for upholding high standards of corporate governance and exercises oversight over LAPFUND's management. This oversight is carried out not only through full Board meetings but also through various Board Committees.

As stipulated, the Board must convene at least four times during each financial year to review LAPFUND's overall performance. Full Board meetings are called by the Secretary at the direction of the Chairperson or upon the request of at least five Board members. Decisions are made by a majority vote of members present, with the Chairperson holding the casting vote in the event of a tie.

To ensure accountability and performance monitoring, LAPFUND enters into an annual Performance Contract with the government. Additionally, the individual performance of each Board member is assessed by the State Corporations Advisory Committee.

ii. Roles and functions of the Board

a. Legal Framework for Committee Formation

In line with Section 9 of the State Corporations Act (CAP 446), the Board of Directors is authorized to establish committees composed of Board members to address specific areas of responsibility. The Act also mandates that the Board formally notify the State Corporations Advisory Committee (SCAC) upon the creation of any such committee.

The Board of LAPFUND consists of eleven (11) non-executive members and a secretary, who also serves as the Chief Executive Officer. The Board members were officially appointed on 6th March 2023 through Gazette Notice No. 2871, while the Chairperson was appointed later on 29th June 2023 via Kenya Gazette Notice No. 8472.

As stipulated, the Board must convene at least four times during each financial year to review LAPFUND's overall performance. Full Board meetings are called by the Secretary at the direction of the Chairperson or upon the request of at least five Board members. Decisions are made by

a majority vote of members present, with the Chairperson holding the casting vote in the event of a tie.

These committees function as technical advisory bodies, tasked with conducting in-depth analysis of specialized matters before they are escalated to the full Board for discussion and decision-making.

b. Board Oversight and Committee Structure

The Board of Trustees is responsible for defining the strategic direction and long-term objectives of LAPFUND and ensuring their successful implementation. It also ensures that the necessary organizational infrastructure is followed such as systems, technology, and human capital are in place to support the Fund's mandate. To ensure effective performance management, the Board:

- Sets and approves strategic goals and performance targets
- Monitors progress against these targets
- Establishes and evaluates key performance indicators (KPIs)

To ensure accountability and performance monitoring, LAPFUND enters into an annual Performance Contract with the government. Additionally, the individual performance of each Board member is assessed by the State Corporations Advisory Committee.

This oversight is carried out through three dedicated Board Committees, each operating under clearly defined terms of reference:

- i. Finance and Assets Committee
- ii. Strategy & Investment, Human Resource and Governance, and Social Security Committee
- iii. Human Resource, Legal and Strategy; and Audit & Risk Committee

c. Board Committee

a) Finance and Assets Committee

The purpose of the Finance and Assets Committee is to determine and advise on all matters relating to finance and assets. The Finance and Assets Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Review of LAPFUND's quarterly financial reports and other matters related to its continued solvency.
- ii. Advise the Board on all aspects of financial responsibility including financial risks, policies, controls and strategies; and review these periodically.
- iii. Recommending policies that maintain and improve the financial health and integrity of the organization.
- iv. Reviewing and recommending a long-range financial plan for the organization.
- v. Reviewing and recommending an annual operating budget and annual capital budget consistent with the long-range financial plan and financial policies.
- vi. Reviewing the financial aspects of major proposed transactions, new programs and services, as well as proposals to discontinue programs or services, and making action recommendations to the board.
- vii. Reviewing and recommending unbudgeted capital and operating expenditures.
- viii. Monitoring the financial performance of LAPFUND as whole and business lines against approved budgets, long-term trends, and industry benchmarks.
- ix. Review quarterly and annual performance contract reports from management

- x. Requiring and monitoring corrective actions to bring the organization into compliance with its budget and other financial targets.
- xi. Review the annual financial statements of LAPFUND and recommend them to the Board for approval.
- xii. Review financial policies and procedures of LAPFUND periodically and align the same to the requirements of the Public Finance Management Act 2012 and the Regulations thereon from time to time.
- xiii. Oversee the maintenance of organization wide assets, including prudent management of organizational investments.
- xiv. Considering significant asset acquisition and disposal and making recommendations to the Board as appropriate.
- xv. Reviewing and monitoring the management and utilization of buildings and grounds
- xvi. Monitoring program status against contractual arrangements.
- xvii. Reviewing and monitoring capital projects and works program of LAPFUND.
- xviii. Monitoring insurance arrangements for LAPFUND assets.
- xix. Periodically reviewing the arrangements for insurance.

b) Strategy and Investment Committee

The purpose of the Strategy and Investment Committee is to determine and advise on all matters relating to the strategy and Investment. The Strategy and Investment Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Develop the Investment policy document.
- ii. Review the strategic asset allocation targets for the prudent investment of members contributions and investment incomes.
- iii. Conduct quarterly review of LAPFUND's investment structure and the asset allocations
- iv. Review Investment performance against set performance benchmarks spelt out in the Investment Policy and market performance
- v. Receive report on selection of Custodial and Investment Management services in line with the Retirement Benefits Act, 1997.
- vi. Monitor and keep under review new projects in which the Fund wishes to engage in.
- vii. Establish appropriate allowable ranges for the asset allocation targets in line with the RBA Regulations.
- viii. Monitoring the performance of investment pools including the performance against benchmarks relative to marked performance.
- ix. Receiving regular reports on changes in the management of investment portfolios.
- x. Review quarterly reports on membership, contributions received and due, and present to the Board for adoption before submission to RBA.

c) Human Resources and Governance Committee

The objectives of the Human Resources Committee are to oversee certain management assessment, succession and compensation matters in accordance with these Terms of Reference.

Terms of Reference

The primary functions of the Committee are to oversight, review, and recommend appropriate and effective human resource policies, strategies, processes and plans of the organization. Ensuring LAPFUND has an effective organizational structure and competitive human resource and compensation policies and practices. The Human Resource and Governance Committee is constituted by the Board and the responsibilities are summarized as follows:

- i. Review and recommend for approval overall employee compensation philosophy and policies, including all bonus plans and other short- and long-term compensation arrangements.
- ii. Review and significant human resource strategies, policies, processes and plans of the Corporation and recommend to the Board for approval.
- iii. Ensuring appropriate processes are in place for the selection, evaluation, compensation, and succession of senior management
- iv. Evaluating and determining compensation for the Chief Executive Officer
- v. Such other related initiatives as may be necessary or desirable to enhance human resource performance
- vi. Review and recommend for approval employee benefit plans, including medical/dental, life and disability benefits.
- vii. Submit to the Full Board for ratification, confirmation and approval, all such matters as the Committee may deem appropriate.
- viii. Review and recommend for approval overall employee compensation philosophy and policies, including all bonus plans and other short- and long-term compensation arrangements.

d) Audit Committee

The audit committees' roles and responsibility is as set in the Public Finance Management Act, regulation and the guidelines provided thereof and involve the following duties.

- i. Support the CEO in carrying out oversight responsibilities by monitoring and reviewing risk, control, performance and governance processes which have been established.
- ii. To oversee the internal audit function and the external audit and follow-up on the implementation of the recommendation of internal and external auditors.
- iii. Provide additional assurance regarding the quality and reliability of both the financial and operating information.
- iv. Take special interest in audit matters and therefore pay special attention to the work plans and activities of the internal audit function.
- v. Provide a channel of communication between management and the internal and external auditors and positive support of the internal audit function;
- vi. Influence the organizational status of internal audit unit and foster an independent climate for its operation.
- vii. Evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of risks;
- viii. Evaluate and prioritize risks identified by management and ensure that internal audit plans are aligned to the risk profile of the Fund.
- ix. Review the process implemented by Management in respect to risk management, control systems and fraud prevention and ensure that all fraud related incidents have been followed up appropriately;
- x. As part of the on-going monitoring process, the audit committee should review the management letter (or equivalent). The audit committee should review and monitor management's responsiveness to the external auditor's findings and recommendations.
- xi. Obtain feedback about the conduct of the audit from key people involved, for example the head of finance and accounts, and the head of internal audit;
- xii. Review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the LAPFUND's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and
- xiii. Report to the board on the effectiveness of external audit process

iii. Board Induction and Training

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

iv. Board and member's performance

The Board develops and approves annual work plan to guide its activities throughout the year. This plan outlines the schedule of Board and Committee meetings, key governance milestones, and strategic priorities to ensure effective oversight and alignment with the organization's objectives. This structured approach ensures that the Board remains proactive, accountable, and aligned with the organization's mission and regulatory obligations.

v. Attendance in the Board and Committee meetings

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

	Full Board	Finance & Asset Committee	Strategy & Investment	Audit Committee	Human Resource & Governance Committee	Others	Total Meetings
Number of Scheduled meetings	1	2	1	1	1	0	6
Hon. Johnson Osoi	5	0	0	0	0	0	5
Hon. Beatrice P.C Kones	5	0	2	1	3	0	11
Mr. Samwel Kariuki Maina	4	3	3	0	0	0	10
Hon. Roba Duba	3	3	0	0	3	0	9
Ms. Christine Kibet	6	0	0	2	3	0	11
Seth Sindani Ambusini Panyako	5	0	3	2	0	0	10
Mrs. Geraldine Kyalo	1	2	2	2	0	0	7
Hon Millicent Nyaboke Ogunda	6	3	0	0	3	0	12
Ms. Halima Ali Omar	5	0	3	2	0	0	10

vi. Succession plan

The appointment of Board members is carried out by the Cabinet Secretary, Ministry of National Treasury and Economic Planning, through official Gazette Notices. To promote continuity and preserve institutional memory, the current Board appointments were issued in three separate Gazette Notices, with staggered terms. This staggered approach ensures that at any given time, a portion of the Board remains in office, providing consistency in governance, informed decision-making, and sustained oversight of the Fund's long-term strategic direction.

vii. Policy to manage conflict of interest

The board maintains a conflict of no interest register which is signed during any board meeting or activity. All the board meetings have a standing agenda where all in attendance are required to declaration conflict of interest or otherwise in a meetings proposed agenda(s).

viii. Board remuneration

The remuneration of the Board of Trustees is clearly defined in the Board of Trustees Policy, which provides comprehensive guidance on all aspects of compensation. This includes sitting allowances, Subsistence and travel allowances, Retainer fees (where applicable), Reimbursement procedures, Cluster classifications for Daily Subsistence Allowance, transport allowance and maximum number of meetings to be held.

9. Management Discussion and Analysis

a. Operational and Financial Performance

Operations

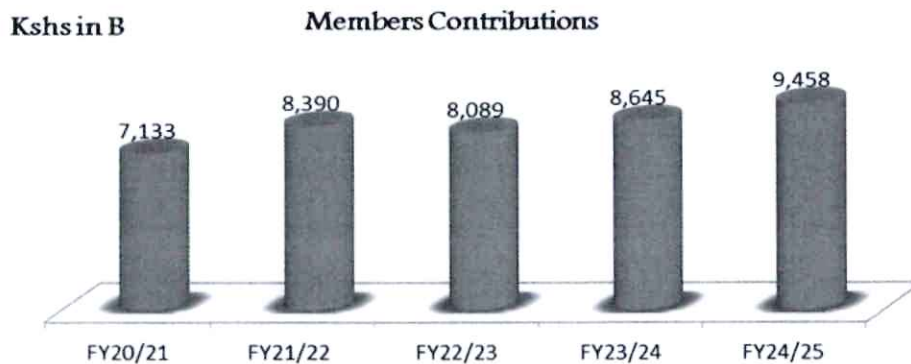
LAPFUNDs operations were affected by the stiff industry competition in recruitment of new members and non-remittance of contributions by Sponsors. The Budget Cuts during the approval process affected implementation of the planned activities that were postponed to a more opportune period economically. LAPFUND officially launched its 2024–2029 Strategic Plan, which will serve as a blueprint for growth, operational efficiency, and long-term sustainability.

Financial Performance

We continued to record improved financial performance results in the past five years.

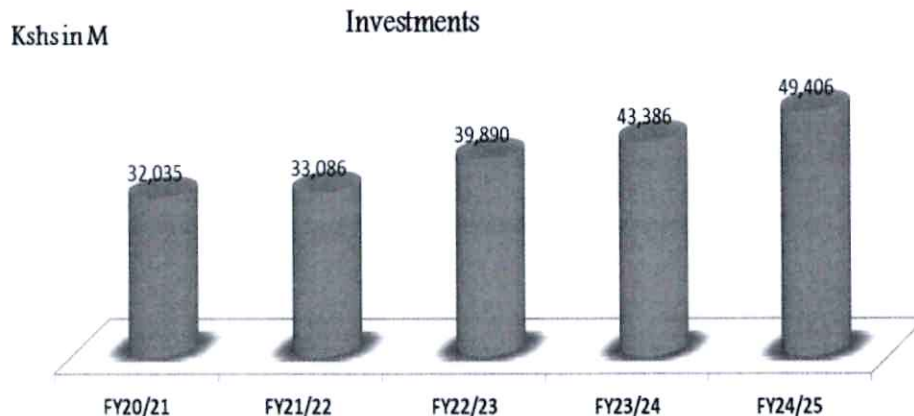
i. Contributions

Over the past years, we continued to record increase in contributions. This we achieved through increased member sensitization and education on the importance of saving for retirement. This helped to increase our membership.



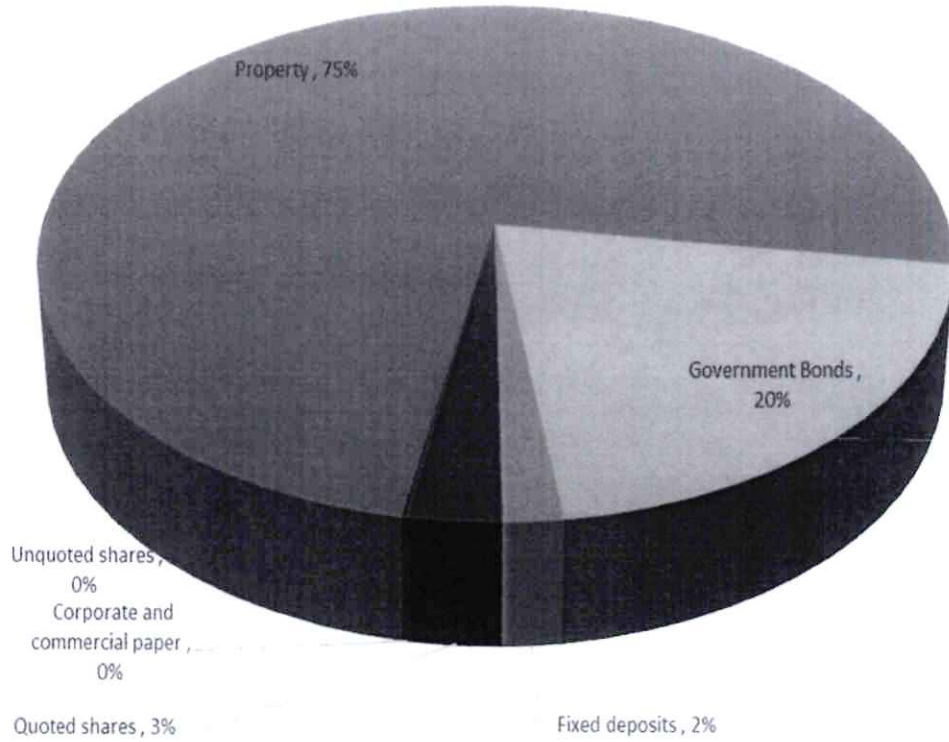
ii. Investment

We continue to diversify our investments to cushion members contributions against volatile economy. Investment in property has increased significantly due to the ongoing development of housing units for sale to help unlock income from property upon their disposal.



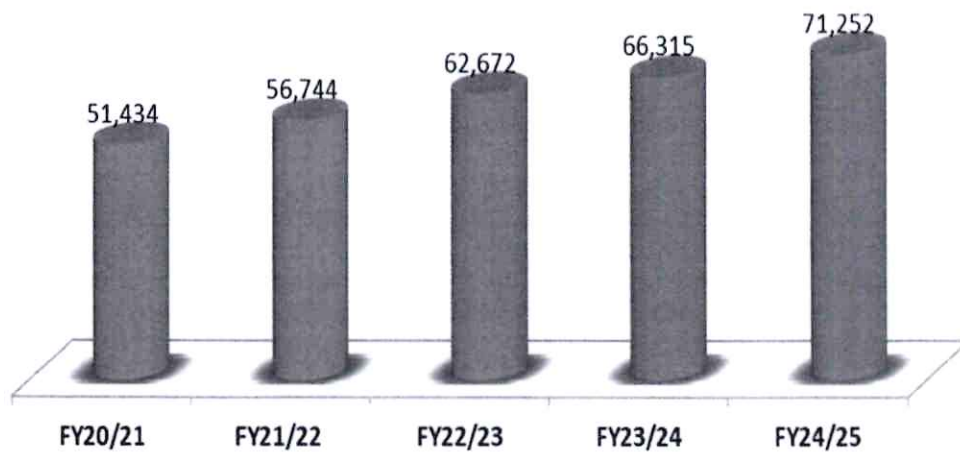
iii. Fund Value

The fund value continues to pose an increase as per the graph below.



Kshs in B

Fund Value



b. Key Projects and Investments

1. Makasembo Estate

The project phase I 910 units were completed and handed over during the period under review. The mixed-use development in Kisumu City which kicked off in May 2022, is planned to have 2,300 units, phase II of 510 units is 8% complete and phase III of 880 has started. The development is aimed at achieving the National Government agenda provision of affordable housing.



Progress of Phase I of Housing Makasembo Project.

2. Bellevue Park Residences

This is another major milestone that the Fund achieved during the financial year. The site was handed over to the contractor in February 2023 and official groundbreaking held in May 2023 presided over by His excellency the president of Republic of Kenya. The project is to be implemented in II phases, Phase I is 28.4% complete. The estate is envisaged to have a studio, 1 bedroom, 2 bedroom and 3, bedroom units among other support amenities (kindergarten, recreational garden, shopping arcade, swimming pool, ample parking and Borehole water supply).



Source: Clerk of Works Report - Reinforcement offloading on site



Source: Clerk of Works - Block A1-5th floor slab concrete works

c. Compliance with Statutory Requirements

LAPFUND has continually complied with identified relevant laws and regulations, and the Board has continued to implement the outstanding remedial actions on all identified areas.

d. Major Risks Facing LAPFUND

We achieved a lot during the year however this has also exposed us to a number of risks. We have been doing and continue to do our best to mitigate the identified risks as follows;

- i. The enactment of the County Governments Retirement Scheme Bill of 2018 into Law (CGRS Act 2019) hinders our legality. its implementation was stopped through court stay orders. LAPFUND has kept up on engaging the stakeholders involved in an effort to lift the stay orders so that the same can be implemented without further delay.
- ii. Governance & Strategy Risks - these risks may hinder the Fund's ability to achieve its strategic objectives and eventually its ability to continue operating in the long run. These risks impact the Members and Stakeholders directly if not well managed.
- iii. Financing & Investment Risks - these risks involve the Fund's ability to harness resources to run its operations as well as the impact of market instability on the Fund's investments.
- iv. Operational & Infrastructure Risks – these risks relate to the effectiveness and efficiency of LAPFUND's operations. The Funds' operational effectiveness and efficiency is a three-faceted approach of people, processes, and technology. A failure in any of these could lead to serious risk of the ability to achieve our strategic objectives.
- v. Compliance & Regulatory Risks - these risks relate to possible non-adherence to laws and regulations which LAPFUND is subject to. We are regulated by the Retirement Benefits Authority (RBA) among other regulators and we have made an effort to ensure we comply with all statutory and regulatory requirements.
- vi. Significant arrears in statutory and other financial obligations. The outstanding debts from both the Sponsors continues to grow. The growth is as a result of delayed remittances and accrued interest thereupon by several sponsors. This causes liquidity and investment risks to LAPFUND and if not resolved, may affect LAPFUND's ability to meet its responsibility and the mission to refunds members promptly. The Board of Directors together continue to seek a permanent solution to this matter with the relevant Stakeholders.

e. Review of the Economy and the Pension Sector

Kenya's retirement benefits industry is composed of the National Social Security Fund (NSSF), The Public Service Superannuation Scheme, occupational retirement benefits schemes and individual pension schemes; whose legal structures are either through an Act of Parliament or a Trust Deed. These schemes are regulated by the Retirements Benefits Authority Act and the Pensions Act. Their models vary in terms of membership, funding, sector (formal or informal) and structure.

The pension sector continues to be the major economy driver world over. It is worth noting that most Kenyans have not embraced the savings culture. This is partially due to lack of knowledge on importance of saving for retirement and partially due to inability for most Kenyans to have extra income to save. In order to aid in bridging the gap, LAPFUND has developed an avenue for members to save, especially those in informal sector. Benefits paid to a retiring member can be invested or used as capital for starting a business during old age.

10. Environmental and Sustainability Reporting

i. Sustainability Strategy and profile

LAPFUND recognizes the growing importance of sustainability in the face of global political and macroeconomic trends such as climate change, resource scarcity, and environmental degradation. In alignment with international sustainability frameworks, particularly the United Nations Sustainable Development Goals (SDGs), LAPFUND has prioritized environmental conservation, social equity, and economic responsibility. The organization's sustainability priorities are guided by its Corporate Social Responsibility (CSR) Policy, which emphasizes: Environmental stewardship, Stakeholder engagement, Community development

Key Achievements

a. Tree Planting Initiative:

In partnership with The National Treasury and the County Government of Nyandarua, LAPFUND planted 8,000 indigenous trees, contributing to Kenya's national goal of growing 15 billion trees by 2032.

b. Inclusive Procurement:

LAPFUND's service delivery charter emphasizes transparency, efficiency, and inclusivity. The organization has implemented policies to ensure a fair proportion of contracts are allocated to local suppliers, youth, women and persons with disabilities (PWDs), promoting inclusive economic growth.

ii. Environmental performance

LAPFUND is committed to implementing practices that promote environmental sustainability. The organization's environmental policy focuses on sustainable resource use, biodiversity conservation, and pollution reduction, implemented through initiatives such as tree planting, waste management, and climate-smart operations.

The environmental policy is embedded in all operations and is continually reviewed to ensure alignment with best practices and national goals.

Key Achievements

c. LAPFUND successfully acquired and implemented an Electronic Document and Records Management System (EDRMS), marking a significant milestone in its digital transformation journey.

i. **Reduced Paper Usage:** Supports the organization's paperless office initiative, directly contributing to waste reduction and environmental conservation.

ii. **Operational Efficiency:** Enhances document retrieval, storage, and workflow automation, improving service delivery and compliance.

iii. **Secure & Sustainable Records Management:** Ensures long-term preservation of digital records while minimizing physical storage needs.

iv. **Environmental Alignment:** Reinforces LAPFUND's commitment to sustainable resource use and pollution reduction.

d. As part of LAPFUND's commitment to sustainable urban development, the organization implemented green spaces in the recently handed-over Makasembo Affordable Housing

Units. This initiative enhances environmental quality, promotes community well-being, and aligns with green building principles.

- i. Enhances environmental quality
 - ii. Promotes community well-being
 - iii. Aligns with green building principles
- e. LAPFUND's service delivery charter emphasizes transparency, efficiency, and inclusivity. In contract management, the organization has implemented policies to ensure a fair proportion of contracts are allocated to local suppliers, youth, women, and persons with disabilities (PWDs), promoting inclusive economic growth.

The following are the environmental Principles

LAPFUND's environmental policy is centred on sustainable resource use, biodiversity conservation, and pollution reduction. The policy is implemented through tree planting initiatives, waste management programs, and climate-smart practices

- i. At LAPFUND we Comply with laws governing the environment, and actively look for ways to improve on these guidelines.
- ii. We Work towards the conservation of energy, water and resources in all our operations.
- iii. We Strive to better understand both the direct and indirect impact that our practices may have on the environment.
- iv. We Promote environmental awareness throughout all operations of the company.
- v. We Provide training/newsletters/posters to staff on implementing sustainable policies.
- vi. We dispose waste thoughtfully, and develop an attitude of "reducing, recycling and reusing."
- vii. We lessen our environmental impact by purchasing environmentally-friendly products and services.
- viii. We Work with our entire supply chain in order to gain mutual benefits of incorporating environmentally sustainable goals into everyday business.
- ix. We Regularly review our business practices, and determine whether each practice is suitable in an environmental context.

We have an E-Waste Policy since LAPFUND utilises a wide range of electronic products which results in e-waste. In addition, LAPFUND being one of the leading institutions in Retirement Benefits Administration in Kenya stands with the Government in seeking to mitigate against environmental concerns as articulated in the National Environmental Policy.

The following are the guiding principles of the e-waste policy:

i. Environmental Conservation.

The Organization endeavours to ensure environmental conservation and protection from the effects of e-waste.

ii. Safe Disposal.

The Organization recognises the need to dispose e-waste in a manner that is safe and sound with respect to its staff, institutional operations, and stakeholders.

iii. Public awareness.

The Organization acknowledges the importance of an informed society in the sustainable management of e-waste.

The success of implementing E-Waste policy is that all electronic wastes are disposed in guidance of the policy. This has greatly reduced environmental impact of the organization's products like computers.

iii. Employee welfare

LAPFUND is guided by the Human Resources Procedure Manual and Policy Number on Recruitment and Selection Policy in all its hiring process which states that, Recruiting and selecting the right people is of paramount importance to the continued success of LAPFUND. This Recruitment and Selection Policy sets out how to ensure, as far as possible, that the best people are recruited on merit and that the recruitment process is free from bias and discrimination in accordance with the values and principles of Public Service as enshrined in the Constitution.

In particular, the process shall afford equal opportunity for the appointment of men, women, youth, members of all ethnic and religious groups and persons with disabilities. It is the responsibility of each Head of Department/Division to ensure that this policy is carefully followed within their department/division. In all our advertisement for job opportunities we also state clearly that LAPFUND is an equal opportunity employer and encourages all qualified candidates to apply.

We also comply with the gender mainstreaming provision of ensuring that not having more than 2/3 of either gender in the staff establishment. The data is submitted to the National Gender and Equality Commission every quarter and to the Public Service whenever it is called for. The policies are reviewed from time to time as guided by new practices and regulations or requirements.

In the spirit of promoting continuous improvement, LAPFUND ensures that all employees have opportunity to improve both the technical skills and knowledge while at work. This culture is guided by Training and Development Policy in the Human Resource Policy and Procedure Manual which states that; LAPFUND will have Training and Development programs to support and enhance capacity to achieve its objectives in accordance with the Training and Development policy. Staff shall be responsible for their own professional and career development while LAPFUND shall provide an enabling environment as per LAPFUND career planning and progression policy.

Training Needs are identified by both staff and supervisors. LAPFUND facilitates staff to attend in house and External Trainings and workshops all year round. This process is spearheaded by the Training Committee which comprises of all Heads of Departments.

Performance Management

Performance Management Policy guides the performance management system to implement the staff appraisal and progression. LAPFUND uses the Balance Scorecard and the Performance Contracting Targets to appraise staff and evaluate the performance of both individual and the organization

Measures Put in Place to Enhance Health & Safety at The Workplace

LAPFUND guided by the Health, Safety & Environmental Policy Manual. The manual ensures that LAPFUND complies with OSHA guidelines of the workplace so as to achieve the expected standards of a conducive work environment.

LAPFUND, has taken the following measures to ensure health and safety at the workplace:

- a. Appointment of a vibrant Health and Safety Committee whose core mandate is to ensure compliance to all OSHA guidelines

- b. Registration of LAPFUND offices-All LAPFUND office are registered with the Directorate of Occupational Safety & Health (DOSH)
- c. Annual Health and Safety Audits conducted in all LAPFUND offices
- d. Participation and Involvement of staff in Health and Safety matters through continuous awareness and sensitization activities
- e. Conducting annual work environment surveys
- f. Engagement of a cleaning company to ensure clean working environment
- g. Fire Audits and Servicing of fire equipment
- h. Provision of sanitary utilities
- i. Prompt repair of fixtures, equipment and furniture

iv. Market place practices

a. LAPFUND's efforts in ensuring responsible competition practice.

Responsible Competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalized for the converse

Responsible Competition enhances productivity by shaping business strategies and practices and the context in which they operate, to take explicit account of their social, economic, and environmental impacts.

LAPFUND operates in a competitive environment with direct and indirect competitors. The organization therefore has an established marketing and communication department who deal with sales of the product and services offered. While carrying out these activities, LAPFUND ensures that all staff and especially those charged with the function of marketing lives one of the core values of being professional in all the undertakings.

LAPFUND practices responsible marketing by delivering value proposition to members. Members are sensitized on the benefit they derive from our product offering in terms of convenience, easy access to information, quick turnaround time on payment process and other riders that benefit members. LAPFUND views competition as an opportunity to improve on areas that does not have a competitive advantage over such as product development and customer service.

In responding to member's queries, and dealings with other stakeholder, LAPFUND adheres to ethical practices, code of conduct, healthy dialogue and ensure that we deliver on the promises made in the service charter. LAPFUND endeavours to be proactive rather than reactive.

b. Responsible Supply Chain and Suppliers relations

We do the following in Supply Chain Unit to maintain good business practises and treating suppliers responsibly.

- o We ensure that the bid process is open, free and fair
- o The procurement process is available to the public
- o We adhere to PPDA Act 2015 and Regulations 2020
- o All suppliers are paid within 30 days.

c. Responsible marketing and advertisement-outline efforts to maintain ethical marketing practice.

LAPFUND is actively present in the market place through marketing teams, social media, print & TV and outdoor advertisement through billboards. These activities are aimed at creating a strong brand proposition in the market. Strong brand equity creates customer loyalty that ensures

business sustainability in a competitive environment. LAPFUND promises quality and timely service delivery by adhering to the quality statement and resolve service charter that is always available to the public in all

LAPFUND office premises and website (www.lapfund.or.ke). LAPFUND in selling its products and service to customers does not degrade rival product and create negative impression on competitors. LAPFUND is aware of the homogeneity of the product in the pension industry and strive to compete on packaging and delivery. In advertising LAPFUND brand and product, we ensure that client experiences exactly what is promised in the content.

LAPFUND ensures that the language and tone used in social media marketing reflect professionalism and respect for the consumers of the content. It ensures also that the privacy of the consumer's data is respected.

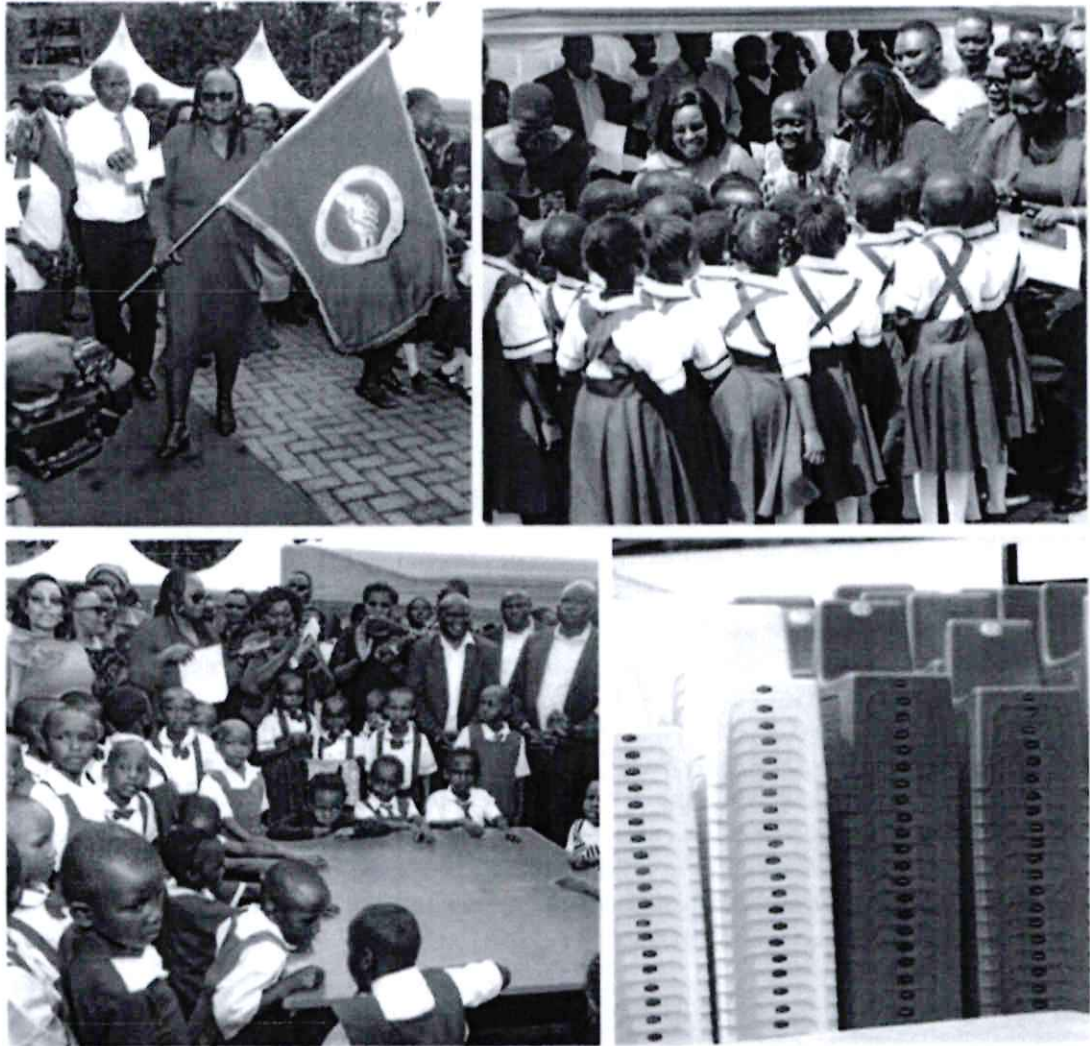
v. Corporate Social Responsibility/Community Engagements

Corporate social responsibility forms part of important activities of LAPFUND. The Fund ensures that all its operations are undertaken in a socially and environmentally responsible manner. The Fund has extended its hand to different needy groups and impacted positively on society and its environment. The involvement in social responsibilities enhances our values and improves the image to the public. The guiding principle for CSR activities is based on their sustainability and the impact they have on the scheme and society.

During the period under review, LAPFUND focused on the following areas;
Corporate Social Responsibility (CSR) is a key component of LAPFUND's operations. The Fund is committed to conducting all its activities in a socially and environmentally responsible manner. Through various initiatives, LAPFUND has reached out to support vulnerable groups, making a meaningful impact on both communities and the environment. All CSR initiatives are guided by principles of sustainability and their potential to create lasting positive change for both LAPFUND and society at large.

During the period under review, LAPFUND focused on the following areas;

- a. LAPFUND partnered with Migori County in a transformative initiative to support the Early Childhood Development Education (ECDE) Program, in collaboration with the First Lady of Migori County. Through a sponsorship of Ksh. 500,000, LAPFUND contributed essential learning resources including reading books, writing materials, lesson plan books, as well as classroom furniture such as tables and chairs. This partnership underscores LAPFUND's deep commitment to nurturing the foundation of education and empowering the youngest members of our society.



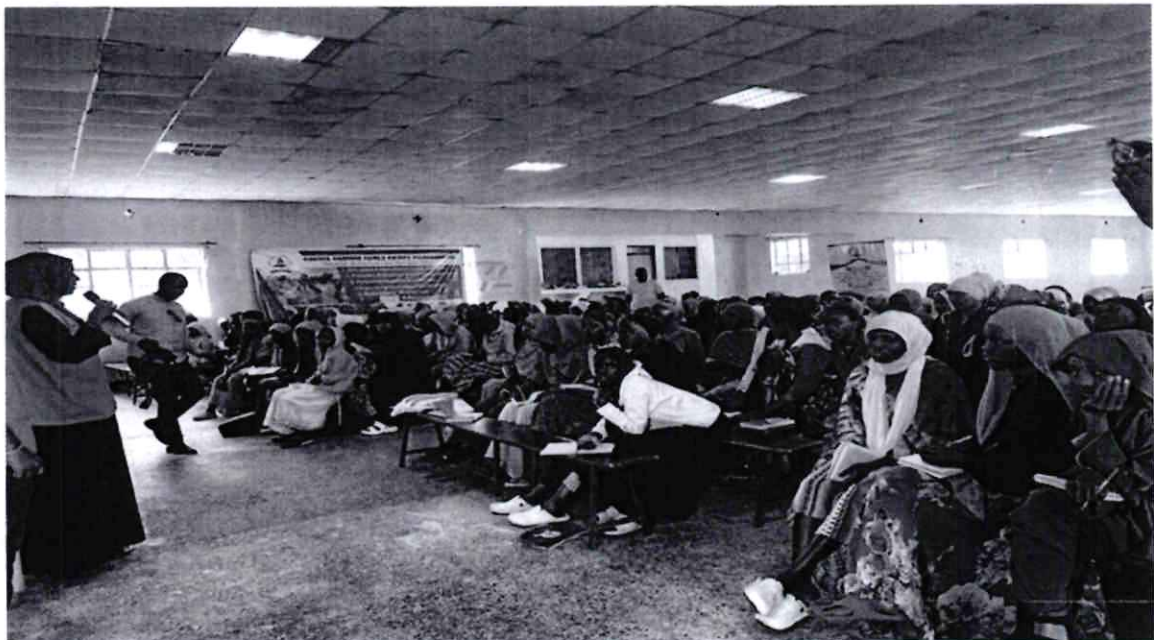
Official Handing over of Early Childhood & Development Education (ECDE) materials, desks and chairs to teachers and children sponsored by LAPFUND in partnership with First Lady Mrs. Agnes Achillo, Migori County.

- b. LAPFUND participated in the Chemususu Dam Half Marathon held in Baringo County, an impactful event dedicated to environmental conservation and the fight against climate change. Through a sponsorship of Kshs. 500,000, LAPFUND reaffirmed its commitment to promoting sustainable practices and supporting initiatives that safeguard our natural resources. The marathon not only raised awareness about the importance of preserving the environment but also brought together communities and stakeholders in a united effort toward climate action.



LAPFUND staff presenting sponsorship to patron Eldama Ravine MP Musa Sirma.

- c. LAPFUND is honoured to have partnered with the First Lady of Marsabit County in supporting the Gaddis Gamme (Girls Camp) Project, an empowering initiative aimed at equipping adolescent girls with essential life skills and personal development training. With a sponsorship of Kshs. 680,000, LAPFUND contributed to creating a safe and transformative space where young girls can grow in confidence, leadership, and self-awareness. This initiative reflects LAPFUND’s unwavering commitment to gender empowerment, youth development, and the creation of inclusive opportunities that uplift communities and foster long-term social impact.



Adolescent girls during on of the educational sessions in Marsabit County..

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of LAPFUND's affairs.

Principal activities

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

Results

The results for the year ended June 30, 2025, are set out on page 1 to 32

Directors

The Board of Directors were appointed on 6th March 2023 via gazette Notice No. 2871. The Chairperson was appointed on 29th June 2023 via Kenya Gazette Notice No. 8472.

Dividends/Surplus Remission

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

Auditors

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

By Order of the Board


CPA Bernard Mbogoh
Secretary to the Board and Chief Executive Officer

Date: 04/09/2025

12. Statement of Directors Responsibilities

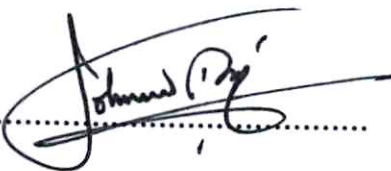
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act; require the Directors to prepare financial statements, which give a true and fair view of the state of affairs at the end of the financial year and the operating results that year. The Directors are also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

The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the transactions during the financial year ended June 30, 2025, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

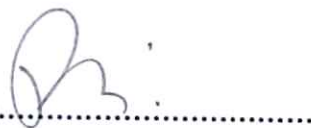
Approval of the financial statements

LAPFUND's financial statements were approved by the Board on 04/09/2025 2025 and signed on its behalf by:

Signature.....

Name: Johnson P. Osoi
Chairperson of the Board

Date 04/09/2025

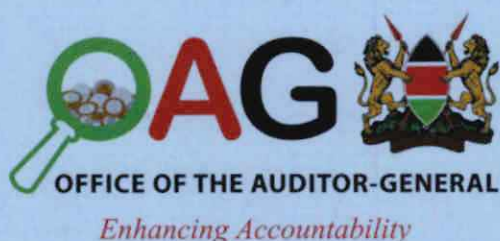
Signature.....

Name: CPA Bernard Mbogoh
Accounting Officer

Date 04/09/2025

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Local Authorities Provident Fund set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net

assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Local Authorities Provident Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Local Authorities Provident Fund Act, 1960 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in Classification and Valuation of Investment Property

The statement of financial position and as disclosed in Note 23 to the financial statements reflects investment property totalling Kshs.36,728,886,000. However, the investment includes assets under construction of Kshs.19,570,612,000 which were classified as investment property even though they were not complete for sale or occupation. Further, there was no evidence of valuation of the investment property during the year contrary to requirements of Paragraph 42 of International Public Sector Accounting Standard (IPSAS) No.16 which states that after initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value.

In the circumstances, the accuracy and completeness of the investment property balance of Kshs.36,728,886,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Local Authorities Provident Fund Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved revenue budget of Kshs.14,197,395,000 against actual on comparable basis of Kshs.5,850,672,000 resulting in under-funding of Kshs.8,346,723,000 or 59% of the budget. Further, the statement reflects total expenditure budget of Kshs.11,417,211,000 against actual on comparable basis of Kshs.13,159,907,000 resulting in over-expenditure of Kshs.1,742,696,000 or 15% of the budget.

The significant under-funding and over-expenditure points to possible weaknesses in the budget making process.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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 Information

The Directors are responsible for the other information set out on page iv to xlv which comprise of Key Information and Management, Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else 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

1. Un-approved Contract Variation

On 25 May, 2022 the Fund awarded a contract for the Construction of Mixed-Use Development-Makasembo Project, Kisumu on Plots L.R. No. Kisumu Municipality Blocks 5/359, 5/360, 5/361, 5/362 and 5/363 at a total contract sum of Kshs.6,621,361,185. The contract was to be implemented in three (3) phases as shown below:

Phase	Commencement Date	Expected Completion Date	Contract Price (Kshs.)	Status as at 10 July, 2025
1	26 June, 2022	26 June, 2024	2,072,817,962	Completed
2	11 October, 2024	11 October, 2026	1,730,328,558	On-going
3	On Completion of Phase 2	Not Started	2,818,214,665	Not Started
		Total	6,621,361,185	

In the course of implementation of the project, the total contract sum was reviewed upwards by Kshs.693,604,561 to Kshs.7,314,965,746. However, no evidence was provided to show that justification was provided and appropriate approval obtained for the upward review of the contract sum contrary to Section 139(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that a contract variation should be approved in writing by the tender awarding authority; and Sub-section (2)(a) which requires the Accounting Officer, on the recommendation of an Evaluation Committee, to approve a request for extension of contract period and contract sum on production of a certificate from the tenderer making a justification for such cost.

In the circumstances, Management was in breach of the law.

2. Delay in Completion of Proposed Mixed-Use Development at Bellevue, Nairobi

The contract for construction of Mixed-use Development Bellevue Project in Nairobi was awarded at a contract sum of Kshs.16,103,401,273 inclusive of VAT and all applicable taxes comprising of phase 1 and phase 2, on 31 January, 2023. The project was expected to take 31 months to complete with commencement date of 26 April, 2023 and expected completion date of October, 2025.

A site visit carried out on 10 July, 2025 revealed that although the contractor was on site and the works were on-going, the project was sixteen (16) months behind schedule, with twenty-five (25) out of thirty-one (31) calendar months having elapsed equivalent to eighty-one (81) % of the contract period. Further, no revised or updated project timelines had been submitted or approved by the Procurement Unit and the Board. It was also observed that an advance payment of Kshs.2,898,604,851 was made whereas the value of works certified as at 30 June, 2025 stood at Kshs.1,585,691,063.00, raising concerns on efficient utilization of funds.

In the circumstances, it is unlikely that the project will be delivered within the time provided and value for money may not be realized.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Update Board Charter

The current Board Charter was promulgated in October 2018 and has not been updated to date to keep up with the changing business, economic and governance environments. This might impact negatively on the Board's strategies in adopting new technologies and policies. Good corporate governance practices require regular review of the Board Charter to align organizational strategies with evolving business and governance environment.

In the circumstances, the effectiveness of the Board in steering the Fund to position and align itself to the current corporate governance could not be confirmed.

2. Weaknesses in Collection of Long-Term Receivables from Exchange Transactions

As previously reported, the statement of financial position and Note 18 to the financial statements reflect a balance of Kshs.17,700,703,000 in respect of non-current receivables from exchange transactions after deducting cumulative impairment allowance of Kshs.46,275,809,000 and transferring a balance of Kshs.1,892,208,000 to current receivables. The gross non-current receivables increased by an amount of Kshs.6,201,164,000 from Kshs.59,667,556,000 reported in 2023/2024 to Kshs.65,868,720,000 in the year under review due to penalties charged on outstanding debts. Management has not demonstrated measures taken to ensure the collection of the receivables and minimize levies on outstanding contributions which represent a significant portion of long-term receivables from exchange transactions.

In the circumstances, existence of an effective mechanism to ensure full and efficient collection of the long-term receivables could not be confirmed.

The audit was conducted in accordance with the 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 controls, 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 the Board of Directors

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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

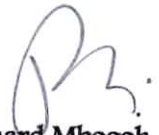
Nairobi

29 September, 2025

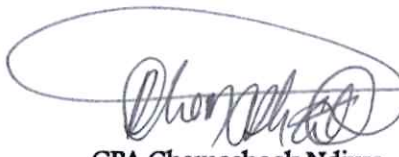
14. Statement of Financial Performance for the Year ended 30th June 2025

		2024/2025	2023/2024
		Kshs 000	Kshs 000
	Notes	2024/2025	2023/2024
Revenue from non-exchange transactions			
Revenue attributable to members	6	10,296,746	13,192,800
Revenue from exchange transactions			
Finance income - external investments	7	1,499,824	1,142,815
Other income	8	15,417	10,386
Total Revenue		11,811,987	14,346,001
Expenses			
Employee costs	10	563,163	522,545
Remuneration of Board members	11	40,176	31,634
Contracted services	12	22,080	25,433
Expenses on operations relating to Core Mandate	13	545,657	484,829
Administrative Expenses	14	202,423	209,989
Repairs and maintenance	15	8,508	7,372
Total expenses		1,382,006	1,281,802
Depreciation, amortization and provision costs	16	8,419,740	10,722,475
Total depreciation, amortization and provision costs		8,419,740	10,722,475
Unrealized gain on fair value of investments	9	1,544,206	20,175
Total other gains/(loses)		1,544,206	20,175
Administrative recharges	19	1,382,006	1,281,802
Surplus		4,936,453	3,643,702

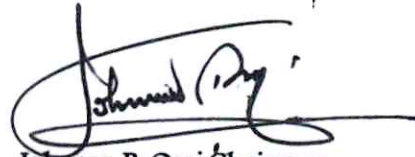
The notes set out on pages 6 to 32 form an integral part of the Financial Statements.


CPA Bernard Mbogoh
Accounting Officer of the Board

Date: 04/09/2025


CPA Chemashack Ndiwa
Head of Finance
ICPAK M/No. 8050

Date: 04/09/2025


Johnson P. Osoi Chairman
Chairman of the Board

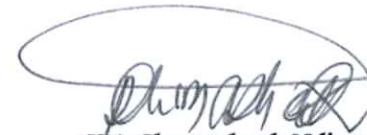
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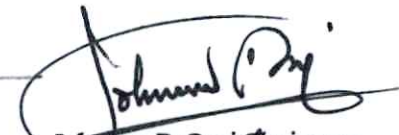
15. Statement of Financial Position as at 30th June 2025

		2024/2025	2023/2024
	Notes	Kshs. 000	Kshs. 000
Assets			
Current assets			
Cash and cash equivalents	17	364,727	321,421
Receivables from exchange transactions	18	2,505,124	2,049,811
Receivables from non-exchange transactions	19	1,107,039	1,027,338
Investments in Financial Assets	22	2,664,350	3,270,647
		6,641,240	6,669,216
Non-current assets			
Motor Vehicles, Plant & Equipment	20	66,135	50,723
Intangible assets	21	22,861	7,488
Investments in Financial Assets	22	9,923,727	6,008,131
Developed land	23 (a)	4,518,243	4,490,746
Undeveloped land	23 (b)	12,038,701	12,028,841
Assets held for sale	23 (c)	601,329	721,132
Assets under construction	23 (d)	19,570,612	16,808,190
Long term receivables from non-exchange transactions	19	1,923,022	1,762,999
Long term receivables from exchange transactions	18	17,700,703	19,121,423
		66,365,334	60,999,674
Total assets		73,006,574	67,668,890
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	26	1,754,681	1,353,451
Total Liabilities		1,754,681	1,353,451
Net Assets		71,251,893	66,315,440
Reserves		57,550	57,550
Accumulated surplus		71,194,342	66,257,890
		71,251,893	66,315,440
Total Net Assets and Liabilities		73,006,574	67,668,890

The notes set out on pages 6 to 32 form an integral part of these financial statements The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:


CPA Bernard Mbogoh
Accounting Officer of the Board


CPA Chemashack Ndiwa
Head of Finance
ICPAK M/No. 8050


Johnson P. Osoi Chairman
Chairman of the Board

Date 04/09/2025

Date 04/09/2025

Date 04/09/2025

Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2025

16. Statement of Changes in Net Assets for the Year Ended 30 June 2025

Attributable to members of LAPFUND	Reserve fund	Capital revaluation reserve	Accumulated surplus	Total
	<u>Kshs. 000</u>	<u>Kshs. 000</u>	<u>Kshs. 000</u>	<u>Kshs. 000</u>
Balance as at 30 June 2023	57,550	-	62,614,188	62,671,738
Surplus/(deficit) for the period	-		3,643,702	3,643,702
Transfers to accumulated surplus				-
Balance as at 30 June 2024	57,550	-	66,257,889	66,315,440
Surplus for the period	-	-	4,936,452.83	4,936,453
Balance as at 30 June 2025	57,550	-	71,194,342	71,251,892

17. Statement of Cash Flows for the Year Ended 30th June 2025

	2024/2025	2023/2024
	Kshs 000	Kshs 000
Cash flows from Operating Activities:		
Operating Surplus / Net Income	4,936,453	3,643,702
Add back depreciation	16 32,571	40,808
Less: Non-cash items		
-Change in fair value of motor vehicle	20 -	-
-Change in fair value of property investments	9 -	-
-Change in fair value of government bonds	9 (1,123,235)	19,481
-Change in fair value of quoted equities	9 (420,970)	(39,656)
Increase (Decrease) in receivables from exchange transactions	18 965,407	(648,732)
Increase (Decrease) in receivables from non-exchange transactions	19 (239,723)	(202,291)
Decrease (Increase) in payables	26 401,230	706,925
Net cash from operating activities	4,551,733	3,520,237
Cash flows from Investing Activities:		
Purchase of Non - Current Assets		
Motor Vehicles	20 -	-
Computer and Equipment	20 (30,335)	(21,684)
Furniture and Fittings	20 (6,846)	(976)
Intangible assets - software	21 (26,174)	(14,824)
Purchase/Disposal of Investments		
Property	23 (2,679,977)	(2,698,680)
Government Bonds	22 (3,016,500)	(775,821)
Treasury Bills	22 (50,063)	-
Fixed deposits	22 623,888	(147,505)
Corporate bonds and commercial paper	22 17,993	3,901
Quoted shares	22 659,589	139,227
Net Cash generated from (Used in) Investing	(4,508,425)	(3,516,362)
Increase (Decrease) in Cash & Cash Equivalents	43,307	3,875
Cash & Cash Equivalents at Beginning of Year	321,421	317,546
Cash & Cash Equivalents at End of Year	364,728	321,421

18. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2025

	Original budget Kshs. 000	Adjustments Kshs. 000	Final budget Kshs. 000	Actual on comparable basis Kshs. 000	Performance difference Kshs. 000	% of Budget utilization	Variance Explanation
Income							
Members contributions	11,946,600	-	11,946,600	9,113,296	2,833,304	76%	1
Interest on receivables	16,775,693	(9,457,615)	7,318,077	1,413,028	5,905,049	19%	2
Benefits paid	(3,849,159)	(2,273,086)	(6,122,245)	(6,190,893)	68,648	101%	3
Revenue attributable to members	24,873,134	(11,730,702)	13,142,432	4,335,431	8,807,001	33 %	
Investment Income	2,006,950	(725,516)	1,281,434	1,391,601	(110,167)	109 %	4
Property Income	164,456	(40,310)	124,147	108,223	15,923	87 %	5
Fair change in value of assets	-	-	-	-	-	-	6
Other Incomes	33,499	(384,117)	(350,618)	15,417	(366,036)	(4)%	7
Total Investment income	2,204,904	(1,149,942)	1,054,962	1,515,241	(460,279)	144 %	
Total Income	27,078,039	(12,880,644)	14,197,395	5,850,672	8,346,722	41 %	
Expenses							
Employee costs	534,874	73,961.70	608,836	563,163	45,673	92 %	8
Remuneration of Board members	29,920	10,080.46	40,000	40,176	(176)	100 %	9
Contracted services	19,045	971.14	18,074	22,080	(4,006)	122 %	10
Expenses on operations relating to Core Mandate	135,739	380,466.13	516,205	545,657	(29,452)	106 %	11
Administrative Expenses	227,403	7,967.84	219,435	202,423	17,013	92 %	12
Repairs and maintenance	1,843	4,766.67	6,610	8,508	(1,898)	129 %	13
Total expenses	948,823	460,336	1,409,159	1,382,006	27,154	98 %	
CAPITAL ITEMS							
Acquisition of PPE	43,067	1,453.46	44,521	32,151	12,370	72 %	14
Acquisition of Intangible assets	34,528	5,000.00	39,528	26,174	13,354	66 %	15
Purchase of investments	15,792,126	5,868,122.43	9,924,004	9,039,599	884,404	91 %	16
Property additions	-	-	-	2,679,977	-	-	-
Total expenses Development	15,869,721	(5,861,669)	10,008,052	11,777,901	910,128	118%	
Surplus for the period	10,259,494	(7,479,311)	2,780,183	(7,309,234)	7,409,440	(175)%	

Reconciliation Statement Between the Actuals in The Statements of Budget Vs Actuals & The Statement of Cash Flows

	operating Kshs. 000	Investing Kshs. 000	Financing Kshs. 000	Total Kshs. 000
Actual amount on a comparable basis presented in the budget and actual comparative statement	1,382,006	-	-	(7,309,234)
Add Investments assets disposed	-	7,352,542	-	7,352,542
Add Cash and cash equivalents at the beginning of 1	321,421	-	-	321,421
Actual Cash and Cash Equivalent in the Statement of Cashflows				364,728

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1	During the year, member contributions reached 76% of the budget. This was attributed to the following factors: a) The directive from the Salaries and Remuneration Commission, which prohibited annual salary increments for state officers and County Government employees. b) The stop order by RBA on commercialization of Imarisha product resulting to product re-engineering. c) The Amal product has experienced a slower-than-expected adoption during the quarter.
2	Interest income amounted to 19% of the budgeted target during the year under review. This shortfall was primarily due to the decision by The Board to discontinue charging interest on sponsors who had fully settled their principal debt. This policy change, while supportive of sponsors who met their obligations, led to a reduction in recurring interest income.
3	Member benefits paid were 101% of the budget, this is 4% above the budget. This was due to higher claims that were paid in the period than-anticipated.
4	Investments reached 19% above the budgeted amount. This increase was attributed; higher coupons on government investments than anticipated.
5	Property Income reached 87% above the budgeted amount. This decrease was attributed to ongoing court case on Mariakani halting the the increase in rental income from kshs.10,000 to kshs.30,000.
6	The change in fair value was a surplus of kshs.1.5bn due to revaluation in governemnet investments.
7	Other income recorded Kshs.15.4m during the period, The income relates to corporate sponsorships towards the Launch of LAPFUND Strategic Plan and deductions on refunds for home buyers who have since withdrawn from the project
8	Employee costs totaled Kshs. 563 million during the period, representing 92% utilization of the approved budget. The variance was caused by vacancies in some positions. That were filled at the end of the financial year
9	Board costs for the period were within the budget .The Board was fully constituted and undertook all the activities as stated in the ALMANAC.
10	During the period, the cost of contracted services was above the budget by 22%. The increase was due to higher costs on legal expenses than expected.
11	Expenses on core mandate were above the budget by 6% due to increase on fund investment costs following the increase of funds held by fund Managers
12	Administrative expenses utilized 92% of the approved budget,This was below the budget due to decrease in office operating expenditures and HR costs due to delay in approval of the supplementary budget.
13	Repairs and maintenance were above the budget during the year by 29% due to faulty vehicle that incurred high costs on maintenance.
14	Acquisition of PPE includes purchase of the EDRMS which had not been paid by the end of year.
15	Acquisition of Intangible includes purchase of the EDRMS which had been paid since the project had been phased out.
16	Purchase of investments was above the budget due to the payments towards development of Bellevue project that was not anticipated at the beginning of the year.

19. Notes to the financial statements for the year ended 30th June 2025

a. General information

Local Authorities Provident Fund (LAPFUND) is established and derives its authority and accountability from the laws of Kenya, The Local Authorities Provident Fund Act, CAP 272, of 5th of July 1960. LAPFUND is wholly owned by the Government of Kenya and is domiciled in Kenya.

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

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

- i. assets transferred from other Funds
- ii. Amounts contributed each month by contributors and Sponsors
- iii. Dividends, interest and other incomes accruing from investments of the Fund
- iv. Sums contributed by Local Authorities (Sponsors) towards the expenses of management and administration of the Fund
- v. Such other moneys as may from time to time be received by the Board

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

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

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

c. Adoption of new and revised standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*
There were no new and amended standards issued in the financial year.
- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared

	to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

d. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Member Contributions and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Interest income

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

Rental income

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

iii) Benefit Payable.

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

b) Budget information – IPSAS 24

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

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) Taxes – IAS 12

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

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

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

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

e) Property, plant and equipment – IPSAS 17

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

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

f) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

g) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Impairment of financial assets

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

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

Amortized Costs

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

h) Provisions – IPSAS 19

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

Where LAPFUND 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.

i) Contingent liabilities

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

j) Contingent assets

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

k) Nature and purpose of reserves

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

Reserves

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

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

n) Related parties Transactions – IPSAS 20

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

n) Service concession arrangements – IPSAS 32

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

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

e. Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. LAPFUND 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 LAPFUND. 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 LAPFUND
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

LAPFUND makes provision for;

i) Depreciation

This is provided for on a straight-line method over four years.

ii) Bad & Doubtful Debts

When due contributions are not remitted by 15th of the following month, a 3% compounded interest is charged. The management makes a provision of 100% on the interest charged and still outstanding at the end of the financial year

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Notes to the Financial Statement

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
6 Revenue attributable to members		
Normal contributions	9,286,269	8,439,814
Gratuity contributions	-	-
Voluntary contributions	10,277	29,454
LAPFUND Staff Contribution	108,221	100,792
Diaspora Contributions	-	-
Amal Contributions	49,519	75,184
Accrued Contributions	-	-
Transfer Ins	3,836	-
Total Revenue Attributable to Members	<u>9,458,122</u>	<u>8,645,244</u>
Less: Benefits to members		
Retirement Benefits	5,974,452	4,672,950
Death Benefits	305,798	300,529
Insured Benefits	78,781	68,848
Amal Benefits	-	-
Voluntary Refunds	674	80
Transfers out	15,974	8,491
Total Benefits to members	<u>6,375,679</u>	<u>5,050,898</u>
Levies on outstanding contributions	7,214,303	9,598,454
Revenue attributable to members	<u>10,296,746</u>	<u>13,192,800</u>

- Revenue attributable to members relates to contributions receivable, levies charged and less benefits paid. This was a 22% decrease Kshs 10.29bn (2024: Kshs 13.2bn) due to increase on benefits paid and drop on levies on outstanding contributions.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
7 Finance income - external investments		
Fixed income		
Government Bonds	1,009,198	741,375
Treasury Bills	1,427	-
Interest on deposits	171,404	157,333
Corporate bonds	(798)	13,340
Commercial paper	-	-
	<u>1,181,230</u>	<u>912,048</u>
Dividend income		
Investments in quoted equities	132,335	113,164
	<u>132,335</u>	<u>113,164</u>
Gain on sale of investments		
Gain on sale of treasury bonds	(15,489)	9,918
(Loss)/Gain on sale of quoted shares	93,525	355
	<u>78,036</u>	<u>10,273</u>
Property Income		
Rentals	28,741	31,490
Hospitality	27,561	22,055
Real Estate	38,616	40,632
Land banking	13,306	13,153
	<u>108,223</u>	<u>107,330</u>
Total finance income – external investments	<u>1,499,824</u>	<u>1,142,815</u>

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- Finance income from external investments are earnings gained from investment in government securities, Corporate Bonds, Commercial Paper and Interest from fixed income deposits. The earning increased in the Financial Year 2025 to Kshs 1.49bn. (2024: 1.14bn)
- Dividend income from investments in quoted equities increased to Kshs 132m (2024 Kshs 113m)
- Profit on sale of investments rose to Kshs 78m (2024; loss of Kshs 10.2m)
- Properties income during the period under review was Kshs 108.2m (2024; Kshs 107.3m). The increase is interest received from the Rent to Own buyers on disposal of property.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
8 Other income		
Car Loan Interest	889	640
Mortgage Loan Interest	12,171	9,756
Disposal of Assets Income	-	(13)
Other misc. incomes	2,357	3
Total other income	<u>15,417</u>	<u>10,386</u>

- Other income relate to earnings from interest charged on loans issued to staff (Car Loan and Mortgage) at an interest rate 3% per annum. In the period under review, we earned Kshs 15.4m(2024: 10.38m). The increase is due to increase in uptake of loans as compared to the previous period. The interest is charged on reducing balance method.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
9 Unrealized gain/(loss) on fair value of investments		
Property investments	-	-
Government bonds investments	1,123,235	(19,481)
Quoted shares investments	420,970	39,656
Net unrealized gain/loss	<u>1,544,206</u>	<u>20,175</u>

- Fair value on government securities improved due to the impact of moderation and lowering of interest rates on bond valuations.
- The Kenyan equity market posted positive returns due improvement in hard currency supply which restored foreign investors sentiments on the Kenyan Equity markets
- The year under review we recorded a profit of kshs.1.54 bn as compared to the previous period (2024; profit of Kshs.20.17m).

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
10 Employee costs		
Salaries and wages	317,061	298,052
Contributions to pensions	57,398	55,349
Contributions to medical aids	60,580	53,588
Commuter and Other Allowances	69,994	61,108
Gratuity	6,761	2,367
Housing Benefits and allowances	51,369	52,081
Total employee costs	<u>563,163</u>	<u>522,545</u>

- Employee costs increased to Kshs 563m (2024: Kshs 522m) due to

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- annual salary increment and increase in contribution to medical aids as a result of increase in premium and rise in number of dependents due to the young workforce.
- Recruitment of new staff

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
11 Remuneration of board members		
Chairman allowances	1,020	1,020
Meeting costs	11,452	16,181
Medical aid contributions	518	1,504
Travel, conferences and other costs	27,186	12,929
Total board members' remuneration	<u>40,176</u>	<u>31,634</u>

- The board remuneration increased to Kshs 40.17m (2024; Kshs 31.6m) due to resumption of Board activities following appointment of additional board members during the year. The appointment of new board members resulted to increased costs on training of new board members and increased allowances due to the recruitments that happened during the year.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
12 Contracted services		
Legal Fees	17,933	20,473
Performance contracting costs	4,147	4,960
Total contracted services	<u>22,080</u>	<u>25,433</u>

- Contracted services costs were Kshs 22.08m (2024; 25.43m) this is a decrease from the previous period. This is due to internal staff handling most of the legal matters and budget cuts during the period.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
13 Expenses on operations relating to Core Mandate		
Members costs	239,865	161,127
Strategy and business devt costs	49,657	12,405
Corporate and Public Relations	22,249	23,788
Investment management fees	19,251	18,630
Custodial fees	13,157	9,859
Debt management fees	99,746	135,346
Statutory costs	5,850	5,850
Property & Finance Costs	87,235	104,717
Procurement costs	8,647	13,107
Total expenses on operations relating to Core Mandate	<u>545,657</u>	<u>484,829</u>

The expenses relating to core mandate increased to Kshs 545m (2024; Kshs 484). The increase in costs is as a result of

- Increased activities in member costs due to increased marketing activities and stakeholder engagements conducted during the review period and Introduction of agency marketing during the period.

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- The strategy and business development costs increased due to costs relating to launch of the strategic plan, customer satisfaction surveys, and costs relating to registration of the foundation and business enterprise conducted during the year under review
- The Investment management fees, and custodial costs increased due to increase in funds held by fund managers during the year under review.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
14 Administrative Expenses		
Office operating expenses	133,107	143,603
HR & employee development	45,171	41,937
ICT costs	16,072	19,435
Audit, risk and compliance	6,974	3,813
Finance charges	1,098	1,202
Total administrative expenses	<u>202,423</u>	<u>209,989</u>

- The office administrative expenses reduced to Kshs 202m (2024; Kshs 209m) as a result of decline in office operating expenses and ICT costs due to budget cuts in the period under review.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
15 Repairs and maintenance		
Computers & network maintenance costs	4,779	3,024
Motor Vehicles	3,030	3,971
Office maintenance	699	376
Total repairs and maintenance	<u>8,508</u>	<u>7,372</u>

- Repairs and maintenance costs increased to Kshs 8.5m (2024; Kshs 7.3m) as a result of purchase of new computers and equipments. The increased costs are as a result of increased maintenance costs on computer and network due to unexpected ICT service interruption. This was due to electrical fault in data centre resulting in increased costs relating to fire back up configuration and redundancy supply.

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
16 Depreciation, amortization and provision costs		
Plant and equipment	21,769	22,919
Intangible assets	10,802	17,888
Total depreciation	<u>32,571</u>	<u>40,808</u>
Administrative recharges amortized	1,172,866	1,083,213
Provision for doubtful debts	7,214,303	9,598,454
Total amortization costs and provisions	<u>8,387,169</u>	<u>10,681,667</u>
Total depreciation, amortization and provisions	<u>8,419,740</u>	<u>10,722,475</u>

Depreciation, amortization and provision reduced to Kshs 8.4bn (2024; 10.7bn) due to

- Decrease in depreciation of plant and equipment
- Decrease in depreciation of intangible assets
- Decrease in provision for bad and doubtful debts that declined by over 21% from Kshs 9.5bn to Kshs 7.2bn. This is due to Board resolution to stop charging interest to sponsors who have cleared principal debt and 100% provision for bad and doubtful debts to fully provide for the interest.

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		2024/2025	2023/2024
		<u>Kshs. 000</u>	<u>Kshs. 000</u>
17 Cash and cash equivalents			
Cash in Bank		363,989	320,660
Cash-on-hand		738	761
Sub- Total		-	-
Total cash and cash equivalents		<u>364,727</u>	<u>321,421</u>
17(a) Cash and cash equivalents			
a) Bank Accounts			
Co operative Bank Operation	01136198245401	11,205	10,659
KCB Operation Account	1149212292	82,725	60,136
NCBA - Golf View Operations	1002063316	(161)	5,191
Co op Bank Collection	01136198245400	9,978	12,621
KCB Collection	1114898767	6,641	1,874
NBK - Collection	01002000903700	243,078	188,190
NCBA - Golf View Collection ksh	1001667951	4,474	25,093
NCBA - Golf View Collection Usd	1001667967	3,922	2,487
AMAL Collection - Gulf Bank	0350006401	1,164	1,121
AMAL Collection -KCB Sahl	1239065043	162	162
KCB Bellevue Park Project	1318836875	601	1,576
KCB Makasembo Project	1318836654	201	11,550
Sub- Total		<u>363,989</u>	<u>320,660</u>
b) Cash-on-hand			
Petty Cash Nairobi		200	200
Petty Cash Kisumu		46	46
Petty Cash Mombasa		60	60
Petty Cash Nyeri		51	60
Petty Cash Nakuru		46	50
Petty Cash Wajir		-	-
Petty Cash Mandera		-	-
Petty Cash Isiolo		60	60
Petty Cash Garissa		10	20
Petty Cash CEO's Office		50	50
Pettycash Mavoko		15	15
Petty Cash Golf View		200	200
Sub- Total		<u>738</u>	<u>761</u>
c) Cash on transit			
Golfview Mpesa Pay bill	512934	-	-
Funds Transfers		-	-
Sub- Total		<u>-</u>	<u>-</u>
Total cash and cash equivalents		<u>364,727</u>	<u>321,420</u>

- Cash and cash equivalent increased to Kshs 364m (2024; 321m). The rise is as a result of deposits relating to sale of LAPFUND Housing Project held in our National Bank Account
- USD 1 for Kshs 129.23 was used to convert our USD account in NCBA Bank for Golfview Serviced Apartments Collections Account as at 30th June 2025.

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	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
18 Receivables from exchange transactions		
Current receivables		
Contributions due	1,892,208	1,484,628
Receivables from properties	612,916	565,183
Total current receivables	<u>2,505,124</u>	<u>2,049,811</u>
Non-current receivables		
Contributions due	65,868,720	59,667,556
Less: impairment allowance	(46,275,809)	(39,061,505)
	<u>19,592,911</u>	<u>20,606,051</u>
Current portion transferred to current receivables	(1,892,208)	(1,484,628)
Total non-current receivables	<u>17,700,703</u>	<u>19,121,423</u>
Total receivables	<u>20,205,827</u>	<u>21,171,234</u>

- Current receivables are outstanding contributions from sponsors and property income that relate to the period under review. The current contributions as at 30th June 2025 was Kshs 1.89bn (2024: Kshs 1.48bn).
- Non-current are long term receivables from sponsors and property. The non-current receivables rose to Kshs 65.8bn (2024; 59.6bn) as a result of penalties charged on outstanding debts
- Receivables from properties arise from;
 - LAPFUND Gardens an offplan development in Mavoko that was sold on Tenant Purchase model
 - Rent owed by Mariakani tenants
 - LAPFUND leased properties.

18(a) Impairment allowance/ provision

	FY2024-25	FY2023-24
At the beginning of the year	39,061,505	29,463,051
Additional provisions during the year	7,214,303	10,051,323
Recovered during the year	-	(452,868)
Written off during the year	-	-
At the end of the year	<u>46,275,809</u>	<u>39,061,505</u>

18(b) Ageing Analysis- Receivables from exchange transactions

Period	FY2024-25	% of the total	FY2023-24	% of the total
Less than 1 year	6,201,164	2%	1,484,628	2%
Between 1-2 years	11,280,896	16%	9,796,268	13%
Over 3 years	48,386,661	81%	48,386,661	85%
Total	<u>65,868,721</u>	<u>100%</u>	<u>59,667,556</u>	<u>100%</u>

18(c) Impairment allowance/ provision

	FY2024-25	FY2023-24
At the beginning of the year	39,061,505	29,463,051
Additional provisions during the year	7,214,303	10,051,323
Recovered during the year	-	(452,868)
Written off during the year	-	-
At the end of the year	<u>46,275,809</u>	<u>39,061,505</u>

- Impairment allowances grew to Kshs 46.27bn (2024; Kshs 39.06bn). The provision is made to cater for bad and doubtful debts.

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	2024/2025	2023/2024
	Kshs. 000	Kshs. 000
19 Receivables from non-exchange contracts		
Current receivables		
Administrative re-charges due	1,382,006	1,281,802
Less: impairment allowance	(276,401)	(256,360)
Total current receivables	1,105,605	1,025,442
Staff Debtors	0	0.59
Other debtors	1,434	1,897
Total current receivables	1,107,039	1,027,339
Non-current receivables		
Administrative re-charges due	12,176,691	10,794,685
Less: impairment allowance	(9,578,847)	(8,405,981)
	2,597,843	2,388,704
Current portion transferred to current receivables	(1,105,605)	(1,025,442)
Total non-current receivables	1,492,239	1,363,262
Staff Loans	430,783	399,737
Total non-current receivables	1,923,022	1,762,999
Total receivables	3,030,060	2,790,338

19(a) Ageing Analysis- Receivables from non- exchange transactions

Period	FY2024-25	% of the total	↕	FY2023-24	% of the total
Less than 1 year	1,105,605	43%	↕	1,025,442	43%
Between 1-2 years	2,312,729	89%	↕	2,313	0%
Over 3 years	(820,491)	-32%	↕	1,360,949	57%
Total	2,597,843	100%		2,388,704	100%

19(b) Impairment allowance/ provision

	FY2024-25	FY2023-24
At the beginning of the year	10,794,685	9,512,883
Additional provisions during the year	1,382,006	1,281,802
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	12,176,691	10,794,685

- Administrative expenses receivable relates to outstanding recharges of administrative expenses to be recovered from Sponsors in line with Section 4(4) of CAP 272 (Local Authorities Fund Act). However, due to the doubtful nature of recoverability, the Board approved a 20% provision on a straight-line basis.
- Staff Loans relate to staff (Car and Mortgage) loan scheme set up by the board for the benefit of LAPFUND employees.
- Other debtors relate prepayments for rental deposits for LAPFUND leased properties.

20 Plant and Equipment

	Motor Vehicle	Computer and Equipment	Furniture Fixtures & Fittings	Total
	<u>Kshs.000</u>	<u>Kshs.000</u>	<u>Kshs.000</u>	<u>Kshs.000</u>
Cost				
At 1 July 2023	53,292	164,610	232,499	450,401
Additions/Revaluation	-	21,684	976	22,660
Disposals	-	-	-	-
At 30 June 2024	53,292	186,294	233,475	473,061
Additions/Revaluation	-	30,335	6,846	37,181
Disposals	-	-	-	-
At 30 June 2025	53,292	216,629	240,321	510,242
Depreciation and impairment				
At 1 July 2023	25,446	151,703	222,271	399,419
Depreciation	13,323	6,007	3,590	22,919
Disposals	-	-	-	-
At 30 June 2024	38,769	157,709	225,860	422,338
Depreciation	6,358	12,096	3,315	21,769
Disposals	-	-	-	-
At 30 June 2025	45,126	169,805	229,175	444,107
Net book values				
At 30 June 2024	14,524	28,585	7,615	50,723
At 30 June 2025	8,166	46,823	11,146	66,135

21 Intangible assets - software

Cost	
At 1 July 2023	100,328
Additions/Revaluation	14,824
At 30 June 2024	115,152
Additions/Revaluation	26,174
At 30 June 2024	141,326
Amortization and impairment	
At 1 July 2023	89,776
Amortization	17,888
At 30 June 2024	107,664
Amortization	10,802
At 30 June 2025	118,466
Net book values	
At 30 June 2024	7,488
At 30 June 2025	22,861

Depreciation is provided for as follows;

- Assets Purchased during the year are depreciated from the purchase date on prorated basis
- Assets are revalued when fully depreciated. There are therefore no fully depreciated assets
- Assets are charged using straight-line method at the following rates:

- Motor Vehicles	25%	- Computers	33.33%
- Office Equipment and Furniture	33.33%	- Fixture and Fittings	33.33%

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- Motor vehicle depreciation reduced to Kshs.6.3m from Kshs.13.3m in 2024_2025 this was due to motor vehicles that were fully depreciated during the year.
- There were additions worth Kshs.30.33m for Computer and Equipment during the year which includes purchase of computers, Laptops, ipads and scanners for Electronic documents management system (EDRMS)
- Furniture and Fittings purchased during the year were worth kshs.6.85 this includes furnishing of our Nyeri office.
- Intangible assets are made up of the electronic document management system, renewal of Microsoft (office 365) and the ERP system (Navision 2019) annual license.
- Intangible Assets purchased during the year worth Kshs.26.1m relates to software license. Depreciation on intangible assets was Kshs.10.8m in comparison to last year Kshs.17.8m. The decrease in depreciation is as a result of intangibles assets that were fully depreciated during the year under review.

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FXD4/19/10	12.28	2029-11-12	180,000,000.00	190,661,886.00	4.373
FXD4/19/10	12.28	2029-11-12	20,000,000.00	21,184,654.00	4.373
FXD4/2019/10	12.28	12-Nov-2029	226,000,000.00	239,386,589.74	4.373
IF1/23/6.5	17.93	2030-05-06	20,000,000.00	23,587,020.00	4.852
IFB1/2023/6.5	17.93	06-May-2030	25,000,000.00	29,483,779.33	4.852
			1,192,026,265.25	1,300,486,117.71	

Between 5 and 10 years

FXD1/2011/20	10.00	2031-05-05	40,000,000.00	37,352,279.20	5.849
FXD1/2011/20	10.00	05-May-2031	80,000,000.00	74,704,558.61	5.849
IFB1/2024/8.5Yr	18%	09/08/2032	29,883,538.70	32,020,992.74	7.115
IFB1/2024/8.5	18.46	09-Aug-2032	50,000,000.00	64,016,627.88	7.115
FXD1/2012/20	12.00	2032-11-01	144,000,000.00	139,649,958.72	7.345
FXD1/2012/20	12.00	01-Nov-2032	100,000,000.00	96,979,137.98	7.345
F1/2023/10	14.15	2033-01-31	300,000,000.00	336,298,578.00	7.595
F1/2023/10	14.15	2033-01-31	4,500,000.00	5,044,478.67	7.595
FXD1/2023/10	14%	31/01/2033	51,023,050.00	56,069,201.56	7.595
FXD1/2023/10	14.15	31-Jan-2033	50,000,000.00	56,049,762.79	7.595
FXD1/2018/15	12.65	2033-05-09	335,000,000.00	342,250,930.95	7.863
FXD1/2018/15A	13%	09/05/2033	47,332,100.00	51,099,604.27	7.863
FXD1/2018/15	12.65	09-May-2033	121,300,000.00	123,925,486.28	7.863
FXD2/2018/15	12.75	2033-10-03	61,300,000.00	62,822,555.30	8.266
FXD2/2018/15	12.75	2033-10-03	6,000,000.00	6,149,026.62	8.266
FXD1/2019/15	12.86	2034-01-09	100,000,000.00	105,066,654.00	8.534
FXD1/2019/15	12.86	2034-01-09	15,000,000.00	15,759,998.10	8.534
FXD1/2019/15	13%	09/01/2034	5,937,609.79	6,936,729.72	8.534
FXD1/2019/15	12.86	09-Jan-2034	234,300,000.00	246,171,170.27	8.534
FXD1/2024/10	16.00	2034-03-13	50,000,000.00	59,535,287.00	8.707
FXD1/2024/10	16.00	2034-03-13	200,000,000.00	238,141,148.00	8.707
FXD1/2024/10	16%	13/03/2034	97,739,941.39	101,247,351.35	8.707
FXD1/2024/10	16.00	13-Mar-2034	20,000,000.00	23,814,114.87	8.707
FXD2/2019/15	12.73	2034-04-24	305,000,000.00	308,939,071.95	8.822
FXD2/2019/15	12.73	2034-04-24	15,000,000.00	15,193,724.85	8.822
FXD2/2019/15	12.73	24-Apr-2034	105,100,000.00	106,457,365.12	8.822
FXD3/2019/15	12.34	2034-07-10	360,000,000.00	378,118,681.20	9.033
FXD3/2019/15	12.34	10-Jul-2034	140,800,000.00	147,886,417.50	9.033
FXD1/2020/15	12.76	2035-02-05	485,000,000.00	516,549,288.80	9.608
FXD1/2020/15	12.76	2035-02-05	75,000,000.00	79,878,756.00	9.608
FXD1/2020/15D	13%	05/02/2035	100,663,510.00	106,540,090.14	9.608
FXD1/2020/15B	13%	05/02/2035	48,414,200.00	53,270,025.94	9.608
			3,778,293,949.88	3,993,939,054.37	

Between 10 and 20 years

KENINT 9.5 5/03/2036	9.75	05-Mar-2036	2,000,000.00	243,924,566.46	10.688
FXD1/2016/20	14.00	2036-09-01	52,000,000.00	58,990,978.80	11.181
FXD1/2016/20	14.00	2036-09-01	6,000,000.00	6,806,651.40	11.181
FXD1/2016/20	14%	01/09/2036	46,843,480.55	56,741,325.98	11.181

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FXD1/2016/20	14.00	01-Sept-2036	50,000,000.00	56,722,095.07	11.181
IFB1/2022/14YrB	14%	27/10/2036	63,707,989.30	64,445,556.74	11.334
FXD1/2022/15	13.94	2037-04-06	250,000,000.00	279,912,102.50	11.775
FXD1/2022/15	13.94	2037-04-06	36,000,000.00	40,307,342.76	11.775
FXD1/2022/15A	14%	06/04/2037	53,540,250.00	56,001,571.92	11.775
FXD1/2022/15B	14%	06/04/2037	50,343,800.00	56,001,571.88	11.775
FXD1/2018/20	13.20	2038-03-01	535,000,000.00	577,644,277.55	12.677
FXD1/2018/20	13.20	2038-03-01	64,500,000.00	69,641,225.99	12.677
FXD1/2018/20	13%	01/03/2038	79,751,496.73	97,206,440.84	12.677
FXD1/2018/20	13.20	01-Mar-2038	108,000,000.00	116,608,564.63	12.677
FXD2/2018/20	13.20	2038-07-05	183,000,000.00	200,914,378.74	13.022
FXD2/2018/20	13.20	05-Jul-2038	94,000,000.00	103,201,920.94	13.022
FXD1/2019/20	12.87	2039-03-21	436,000,000.00	454,609,949.32	13.732
IFB1/2021/18	12.67	2039-03-21	90,000,000.00	100,835,820.00	13.732
FXD1/2019/20	12.87	2039-03-21	15,000,000.00	15,640,250.55	13.732
FXD1/2019/20	12.87	21-Mar-2039	110,000,000.00	114,695,170.47	13.732
IFB1/2021/18	12.67	21-Mar-2039	13,000,000.00	14,565,168.00	13.732
IFB1/2023/17	14.40	2040-02-20	100,000,000.00	112,790,200.00	14.652
IFB1/2023/17YrH	14%	20/02/2040	105,230,472.20	112,829,718.85	14.652
SDB1/2011/30	12.00	2041-01-21	150,500,000.00	148,360,805.04	15.573
SDB1/2011/30B	12%	21/01/2041	45,896,400.00	49,305,775.85	15.573
SDB1/2011/30	12.00	21-Jan-2041	50,000,000.00	49,289,304.12	15.573
Infrac Bond	12.97	2041-01-28	14,500,000.00	15,333,822.50	15.592
FXD1/2021/020	13.44	2041-07-22	59,000,000.00	63,907,459.52	16.071
FXD1/2021/020	13.44	2041-07-22	25,000,000.00	27,079,432.00	16.071
IFB1/21/21	12.74	2042-08-18	12,000,000.00	12,489,408.00	17.145
FXD1/2018/25	13.40	2043-05-25	50,000,000.00	51,379,269.50	17.912
FXD1/2018/25B	13%	25/05/2043	100,576,580.00	102,795,352.51	17.912
FXD1/2018/25A	13%	25/05/2043	30,640,413.20	30,838,606.05	17.912
FXD1/2018/25	13.40	25-May-2043	20,000,000.00	20,551,707.79	17.912
IFB1/2019/25Yr	12%	22/02/2044	43,570,029.12	48,195,573.37	18.660
			3,145,600,911.10	3,630,563,365.62	
More than 20 years					
FXD1/2021/25	13.92	2046-04-09	10,000,000.00	10,695,396.60	20.789
FXD1/2022/25B	14%	23/09/2047	47,126,500.00	54,445,665.12	22.247
FXD1/2022/25C	14%	23/09/2047	53,110,450.00	54,445,665.20	22.247
FXD1/2022/25E	14%	23/09/2047	49,110,550.00	54,445,665.22	22.247
FXD1/2022/25	14%	23/09/2047	29,150,421.20	32,667,399.71	22.247
FXD1/2022/25	14.19	23-Sept-2047	70,000,000.00	76,196,646.77	22.247
			258,497,921.20	282,896,438.60	
Total Government Bonds			9,104,350,291.75	10,018,371,856.40	

The government bonds forms 80% of the funds investments assets and earned 73% of the total investments income.

Company	Quoted Equities Purchased					
	FY 2024/2025			FY 2023/2024		
	Shares	Average Price	Cost Kshs.	Shares	Average Price	Value Kshs.
Kenya Re Insurance Corporation Ltd	56.00	1.10	61.60	28.00	3.06	85.56
ABSA Bank Kenya	4,733,880.00	13.11	62,047,500.09	4,068,080.00	13.96	56,770,870.02
Total	4,733,936.00		62,047,561.69	4,068,108.00		56,770,955.58

Company	Quoted Equities Disposed					
	FY 2024/2025			FY 2023/2024		
	Shares	Average Price	Cost	Shares	Average Price	Value
Kenya Commercial Bank	3,088,323.00	35.66	110,129,953.34	7,502,723.00	39.88	299,237,306.84
KenGen Co. Ltd	-	-	-	3,050,375.00	8.07	24,602,886.77
Barclays Bank of Kenya Ltd	-	-	-	2,073,100.00	10.62	22,007,022.34
Equity Group Holdings Ltd	3,242,038.00	47.30	153,348,397.40	4,508,938.00	39.41	177,693,460.29
NCBA Bank Kenya	126,252.00	44.05	5,561,400.60	556,152.00	25.38	14,113,598.20
East African Breweries Ltd	308,160.00	215.61	66,443,000.39	625,160.00	192.03	120,049,695.61
Co-operative Bank of Kenya	3,596,951.00	9.80	35,254,572.83	3,706,951.00	14.35	53,198,517.86
Standard Chartered Kenya	98,310.00	212.64	20,904,792.85	199,010.00	154.80	30,806,309.79
Diamond Trust Bank	1,024.00	53.00	54,272.00	66,324.00	186.06	12,340,013.45
Bamburi Cement Ltd	-	-	-	16.00	195.23	3,123.60
	10,461,058.00		391,696,389.40	22,288,749.00		754,051,934.74

LAPFUND has three fund managers, African Alliance Asset Management Ltd, Icea Lion Asset Management Ltd and GenAfrica Asset Management Ltd who have the mandate to make investments on behalf of LAPFUND but in compliance with Fund's approved Investment Policy.

22 (f) Movement in Unquoted Equities

	FY 2024/2025		FY 2023/2024	
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At the beginning of the year	11,720	11,720	11,720	11,720
Purchase of investments in the year	-	-	-	-
Sale of investments during the year	-	-	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-	-	-
At the end of the year	11,720	11,720	11,720	11,720

Company	FY 2024/2025			FY 2023/2024		
	Shares	Price	Value	Shares	Price	Value
			Kshs.			Kshs.
Consolidated Bank of Kenya Preference shares	459,000.00	20.00	9,180,000.00	459,000.00	20.00	9,180,000.00
Consolidated Bank of Kenya Ordinary shares	127,000.00	20.00	2,540,000.00	127,000.00	20.00	2,540,000.00
Total	586,000.00		11,720,000.00	586,000.00		11,720,000.00

Consolidate bank was valued in 2012 where there was an expression of in interest to purchase it. LAPFUND has retained the values at cost due to the nature of the bank and the prevailing market conditions.

23. Property Investments

Movement	2024/2025	Additions	Disposal	2023/2024
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
Developed Land	4,518,243	27,497	-	4,490,746
Undeveloped Land	12,038,701	9,860	-	12,028,841
Non-current Assets held for sale	601,329	-	(119,803)	721,132
Assets Under Construction	19,570,612	2,762,423	-	16,808,190
Total Investments in Property	36,728,886	2,799,780	(119,803)	34,048,909

Movement	2024/2025	2023/2024
	Kshs. '000'	Kshs. '000'
Opening balance	34,048,909	31,350,229
Additions during the year	2,799,780	3,275,539
Disposal of assets	(119,803)	(576,859)
	36,728,886	34,048,909

23 (a) Developed Land

LR. No.	Location	2024/2025	Additions	Disposal	2023/2024
		Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
LR 209/13773	Nairobi Muchai Drive	1,668,636	27,497	-	1,641,139
LR No. 209/6612	Mariakani (Nairobi)	2,849,607	-	-	2,849,607
Sub-total		4,518,243	27,497	-	4,490,746

23 (b) Undeveloped Land

KJD/Kaputiei/North 52489	Kajiado	465,202	1,436	-	463,766
KJD/Dalalekutuk 5495	Kajiado	155,669	-	-	155,669
Lamu/Mokowe New Township/1155	Lamu, Mokowe	8,600	-	-	8,600
Nairobi Block 42/1190-1194	Nairobi Ziwani	8,403,278	-	-	8,403,278
Nakuru Municipality Block 4/112	Nakuru	235,000	-	-	235,000
Nakuru Municipality Block 4/116	Nakuru	235,000	-	-	235,000
Nakuru Municipality Block 7/554	Nakuru	1,922,841	8,425	-	1,914,416
LR 209/11305	Nairobi Upperhill	613,112	-	-	613,112
Sub-total		12,038,701	9,860	-	12,028,841

The developed and undeveloped properties comprise of land and buildings held to earn rental incomes and or capital appreciation. The fair value of each property is assessed at least after every three years by independent certified professional valuers. Any change in the fair value of property is recognized in the statement of changes in net assets available for members benefits.

23 (c) Non-current Assets held for sale

LR. No.	Location	2024/2025	Additions	Disposal	2023/2024
		Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
LR 28368	Mavoko (Athi-River)	437,266	-	(115,227)	552,493
KJD/Dalalekutuk 5491	Kajiado	164,064	-	(4,575)	168,639
Sub-total		601,329	-	(119,803)	721,132

Non-current assets held for sale comprises of;

- LAPFUND Gardens, a gated community development, with 131 modern units of maisonettes, Kindergarten and 5 shops on a 10-acre plot no. 28368 in Mavoko, Athi-River.
- Parcel KJD/Dalalekutuk/5491 which was sub-divided into 192 plots of 1, ½, ¼ and 1/8 acres of land and located in Kajiado County, along the Kajiado-Namanga Road.

	2024/2025	Additions	Disposal	2023/2024
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
23 (d) Assets Under Construction				
Kisumu Municipality/Block5/1157 Makasembo (Kisumu)	6,206,629	1,397,412	-	4,809,217
Nairobi Block 98/106, 98/107 & 98/108 Nairobi Mombasa Road	13,363,983	1,365,010	-	11,998,973
Sub-total	19,570,612	2,762,423	-	16,808,190

- The properties under construction are Makasembo estate in Kisumu and Bellevue park Residences in Nairobi.
- The addition during the year were kshs.2.76bn, which relates to the construction costs.

24. Employee Benefit Obligations

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

LAPFUND also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. LAPFUND's obligation under this scheme is limited to specific contributions legislated from time to time and is currently at Kshs.360 per employee per month.

25. Financial risk management

LAPFUND's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. LAPFUND's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. LAPFUND's financial risk management objectives and policies are detailed below:

i) Credit Risk

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

Management assesses the credit quality of each counterparty, 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 LAPFUND's management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

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

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by LAPFUND 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 LAPFUND's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit Committee.

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

iv) Foreign currency risk

LAPFUND has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. At the end of the period, LAPFUND did not have any carrying amount of foreign currency denominated in monetary assets and monetary liabilities.

v) Interest rate risk

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

Management of interest rate risk

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

vi) Capital Risk Management

The objective of LAPFUND's capital risk management is to safeguard the Local Authorities Provident Fund Board's ability to continue as a going concern.

26. Trade and other payables from exchange transactions

	2024/2025	2023/2024
	<u>Kshs. 000</u>	<u>Kshs. 000</u>
26 Trade and other payables from exchange transactions		
Trade payables	42,464	170,860.34
Benefits payable	184,799	207,383.37
Other payables	64,443	91,072.61
Property sales deposits	<u>1,462,975</u>	<u>884,134.47</u>
Total trade and other payables	<u>1,754,681</u>	<u>1,353,450.79</u>

26(b) Ageing analysis: (Trade and other payables)	2024/2025		2023/2024	
	Amount	% of the Total	Amount	% of the Total
Period				
Under one year	578,841	40%	475,627.18	54%
1-2 years	475,627	33%	408,507.29	46%
2-3 years	408,507	28%	-	
Over 3 years	-		-	
Total trade and other payables	<u>1,462,975</u>	<u>100%</u>	<u>884,134</u>	<u>100%</u>

- Trade Payable are invoices for suppliers and service providers pending as at the balance sheet date
- Benefits payable to refers to claims received on member accounts closed but the payment had not been done as at the balance sheet date.
- Other Payables relates to outstanding payroll liabilities and taxes not remitted at the close of the balance sheet date.
- Property sales are pre-sales deposits received for units under development of our properties. The pre-sales have increased by 65% from Kes 884m 2024 to Khs 1.46 bn 2024.

27. Related Party Disclosures

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

	Kshs
Loans due from related parties	
Loans advanced to management	83,048
i Loans to management carry 3% interest. Difference between interest charged by LAPFUND and the statutory rate as per Sec 27(1) b of Income Act of 2004 is compensated by taxed loan benefit received. The loans advanced to management are recovered through their salaries.	
ii Remuneration to management	112,877
Contributions due from County Governments, Water companies and other companies	
iii County Governments & Assemblies	55,252,276
Water Companies	6,856,797
Other Companies	246,411
Total	62,355,484
iv Remuneration to Board members	40,176
Receipts from related parties	
v County Governments, County Assemblies, Water companies and other companies	7,565,914
Staff repayment loans	12,828
Total	7,578,741

28. Events After the Reporting Period

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

29. Ultimate and Holding Entity

LAPFUND is a State Corporation/or a Semi- Autonomous Government Agency under the Ministry of National Treasury and Economic Planning. Its ultimate parent is the Government of Kenya.

30. Currency

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

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

There were no issues raised by the external auditor.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Non compliance with Employment Act,2007	Review of the payroll records revealed that eight employees had salary deductions in excess of two-thirds of their basic salary, contrary to Section 19(3) of the Employment Act, 2007 which requires that the total amount of deductions which may be deducted by an employer from the salary and wages of the employee at any one time shall not exceed two-thirds of the basic pay. In the circumstances, Management was in breach of the law	The management notes the non-compliance is attributed to the implementation of the housing levy which took effect in July 2023. At the time of implementation, the affected staff had existing payslip commitments and thus their salaries fall below a third. The affected staff have been reminded and encouraged to ensure that their salaries are within allowance	Resolved	June 2025
Failure to submit Annual Almanac to the state corporation Advisory Committee	Review of records provided for audit revealed that, the Board of Directors of the Fund did not submit annual workplan to State Corporation through the parent ministry contrary to head of public service circular OP/CAB.9/1A of 11 th March 2020.which states ,inter alia, that all board of Directors are required to submit their annual calendar ALMANAC by 30 th June of every year. In the circumstances, Management was in breach of the law.	This was caused by lack of a functional board. The board prepares a work plan based on the approved budget by the National Treasury. Management commits to ensure the work plan is submitted as per the stipulated guidelines and timelines subsequently.	Resolved	December 2025
Lack of a functional Board	The Board of Director's report section of the financial statements has revealed that the board of directors was suspended in the month of	The Board of Directors were appointed on 6th March 2023 via gazette Notice No. 2871. The Chairperson was appointed on 29th June 2023 vied Kenya Gazette Notice	Resolved	December 2024

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>January 2024 vide a court decision after constitutional petition which reinstated the previous board members. The ruling was appealed and is pending in court of appeal. The fund therefore operated without a functional Board for half a year from January 2024.</p> <p>In the circumstances, the Board inadequacy may have negatively impacted on the funds ability to effectively make governance decisions.</p>	<p>No. 8472. The Seven (7) Board of Directors were later suspended on 19th January 2024 by a court decision on Constitutional petition No. E002/2023 in which the decision reinstated the previous board members. The matter has since been resolved and there is a properly constituted functional board</p>		
<p>Weakness in collection of long-term receivables from exchange transactions</p>	<p>As previously reported, the statement of financial position under non-current assets is long term receivables from exchange transactions of Kshs. 19,121,423,000 in respect of long-term receivables from exchange transactions after deducting cumulative provisions impairment allowance of Kshs.39,061,505,000 and transferring a balance of Kshs.1,484,628,000 to current receivables. The non-current assets increased by an amount of Kshs.9,796,267,000 from Kshs 49,871,289,000 to Kshs. 59,667,556,000 due to penalties charged on outstanding debts.</p> <p>from in the previous year as a result of penalties charged on outstanding debts. Management has not demonstrated measures taken to ensure collection of the receivables and minimize levies on outstanding contributions which represent a</p>	<p>Management is committed to ensure that the debt is recovered fully in a timely manner. In the last two years, we embarked on a rigorous exercise to ensure increased collection of the long-term outstanding debt. The exercise which is still ongoing led to the following achievements.</p> <ul style="list-style-type: none"> • Nairobi County Government cleared partial accrued interest of Kshs. 8.2Bn in 2023 through debt property swap and is continuing to pay the outstanding debt. • Nyeri County Government cleared the principal amount and accrued interest for both County Government and defunct local authorities of Kshs. 132.5m in 2022_2023FY • Siaya County government cleared their principal amount of Kshs. 115M and accrued interest Kshs. 157.5M in FY2021_2022 and FY2022_2023. • Nairobi City Water Sewerage Company cleared their Principal amount of Kshs. 350m and accrued interest of Kshs. 395m between 2020 to 2023. 	<p>Ongoing</p>	

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>significant portion of long-term receivables from exchange transactions.</p> <p>In the circumstances, existence of an effective mechanism to ensure full and efficient collection of the long term receivables could not be confirmed.</p>	<ul style="list-style-type: none"> • Kwale County Government cleared the principal amount for both County Government and defunct local authorities of Kshs. 37m in 2022. Kwale County has also signed a deed of settlement to clear the accrued interest of Kshs. 91m in two instalments one in December 2023 and the final one in April 2024. • Nakuru County government paid accrued interest of Kshs. 215m in 2023. • Makueni County Government signed a deed of settlement to clear total debt of 157.7m within four financial years starting FY2023_2024. So far they have paid Kshs. 39.7m in adherence to the signed settlement deed • Through court case and a mediator, Isiolo County Government have signed a repayment plan to clear principal amount of Kshs. 38m and accrued interest of Kshs. 200m by the end of FY2023_2024. • Management has also signed repayment plan with several sponsors and they still paying their debt. These includes; <ul style="list-style-type: none"> • Kisumu County Government • Kakamega County Assembly • Nandi County Government • Busia County Government • Wajir County Government • Tana River Assembly • Meru County Government 		

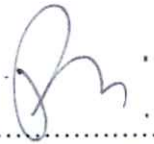
Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<ul style="list-style-type: none"> • Taita Taveta Assembly • Among many others sponsors. <p>Measures in place to collect the debt Management has put the following measures to ensure that we increase debt recovery</p> <ul style="list-style-type: none"> ▪ LAPFUND and other pension schemes in partnership with The National Treasury and Senate Committee on County Public Investments and Special Funds, convened a two days forum in Mombasa to solve the issue of non-remittance of pension contributions. The agencies that participated include; <ul style="list-style-type: none"> - County Executive Committee Members for Finance Caucus - County Assemblies Forum - Retirement Benefits Authority - National Social Security Fund - LAPFUND - County Pension Fund (CPF) and LAPTRUST - Intergovernmental Relations Technical Committee - Office of the Controller of Budget - Office of the Attorney General and Department of Justice - Office of the Auditor General - Kenya County Government Workers Union 		



Local Authorities Provident Fund (LAPFUND)
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Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		<ul style="list-style-type: none"> ▪ The objectives of the forum was to; <ul style="list-style-type: none"> - Address outstanding statutory debt settlement - Modalities to prevent future non-remittance - One of the recommendation is to deduct the debt from the source. <p>One of the proposed recommendation is to enact a law that allows deduction of the debt at the source i.e. before the funds are disbursed to the counties. The final report is yet to be finalized, the same is envisioned to be finalized by the end of 2025 and the recommendations implemented immediately.</p> <p>Other Measures to collect debt include;</p> <ul style="list-style-type: none"> • Continued follow-up of the accrued debt through demand letters, email, calls and physical visit to the sponsors. • Negotiation on outstanding debt and signing deed of settlement • Revoking RBA sec 53B; by initiating legal proceeding to recover the debt where there is no goodwill to settle the debt. This has led LAPFUND to collect debt from some sponsors due to favorable judgement, e.g. County Government Siaya, County Government of Nairobi, County Government Nyeri, County Government of Kisii, Nairobi Water and Sewerage 		

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Company among many others. There are still have some court cases and negotiations ongoing.</p> <ul style="list-style-type: none"> • Capping of further accruing of interest for the sponsors who have signed a repayment plan. • Offer multiple payment options e.g. property debt swap. <p>Levies on outstanding contributions The interest charged for outstanding debts after 15th of every month remains to be our biggest challenge and the factor for the growing debt. Interest is accrued at a compounded rate of 3% monthly. Through board resolutions, it was resolved that provision for doubtful debt be provided fully i.e. 100% of the interest charged.</p>		



.....
 Chief Executive Officer

Date: 04/09/2025