

REPORT

OF

THE AUDITOR-GENERAL

ON

CIVIL SERVANTS HOUSING SCHEME FUND

**FOR THE YEAR ENDED
30 JUNE, 2021**

**STATE DEPARTMENT FOR HOUSING AND
URBAN DEVELOPMENT**

THE NATIONAL ASSEMBLY
PAPER NO. 147
DATE: 24 MAY 2022
DAY: WEDNESDAY
TABLED BY: Hon. A. K. Mwangi MP
L. O. M. P.
Ann Musandu



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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

STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

CIVIL SERVANTS HOUSING SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2021**

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

Civil Servants Housing Scheme Fund
Annual Report And Financial Statements
For The Period Ended
June 30, 2021

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i. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

The Cabinet Secretary in charge for the housing function is responsible for the general policy and strategic direction of the CSHSF whereas the principal secretary is the administrator of the Fund.

The day to day activities of the CSHSF are handled through a secretariat.

(b) Principal Activities

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

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

Mandate

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

Vision of the Department:

Excellent, Affordable, Adequate housing for Civil Servants.

Mission of the Department:

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

I. II. SCHEME MANAGEMENT COMMITTEE

The Fund is administered by the Accounting Officer / Principal Secretary of the Ministry for the time being responsible for matters related to housing. Management of the Fund is overseen by the Scheme Management Committee (SMC) for the reporting period comprising:

- i. Officer administering the Fund,
- ii. Principal Secretary responsible for the National Treasury
- iii. Principal Secretary responsible for labour, social security and services
- iv. Principal Secretary responsible for human resource management and development
- v. Principal Secretary responsible for Infrastructure
- vi. Principal Secretary responsible for coordination of National Government.
- vii. The Attorney General.

The scheme is administered by the administrator through a secretariat which carries out the day to day activities of the Fund. The Officer in charge of the Fund Secretariat is also the Fund Director and Secretary of the SMC. The Director is assisted by project management, estate management and scheme accountant teams.

(c) Fiduciary Management

During the financial year under focus CSHSF operations were undertaken by the Fund Secretariat and administered by "the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development; Ministry of Transport, Infrastructure, Housing, Urban Development. The Officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the period ended 30th June, 2021 which show the state of the Fund affairs. The key management personnel who held office during the period ended 30th June, 2021 and who had direct fiduciary responsibility were:

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

(d) Fiduciary Oversight Arrangements



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

(e) Entity Headquarters

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

(f) Entity Contacts

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

(g) Entity Bankers

Kenya Commercial Bank Ltd,
Milimani Branch
A/C No.1170913962
P O Box 69695 - 00100
NAIROBI

(h) Independent Auditors


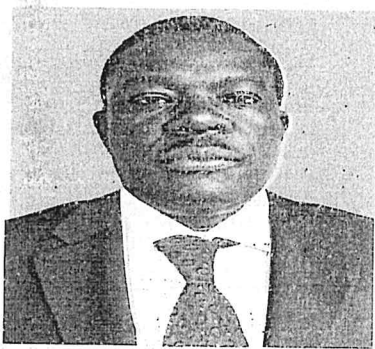

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser




The Attorney General
Office of the Attorney General and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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II. III. Scheme Management Committee (Smc) Members Of The Civil Servants Housing Scheme Fund (CSHSF)

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 Charles M. Hinga, CBS	Principal Secretary for Housing and Urban Development and Officer administering the Fund	Charles is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa. His core competencies include project and structured finance, deal structuring and business development. Until the time of his appointment as the Principal Secretary of Housing, Urban Development and Public Works, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.
 Arthur Osiya, EBS	Representing the Principal Secretary, Interior	Arthur Osiya was born in 1967. He is a Secretary/National Administration in the State Department for Interior, Ministry of Interior and Coordination of National Government. He holds Bachelor of Arts, Government and Philosophy (Hons). He has attended various training as follows: Crisis Intervention in the Community, Masha, Israel; Strategic Leadership Development Programme; He previously worked as a County Commissioner and District Commissioner. He has over 30 years of experience.
 Boniface Orori Simba	Representing the Principal Secretary, National Treasury.	Boniface Orori Simba is a Senior Administrative Secretary in the National Treasury with 26 years of public administration and management. He holds a Master of Business Administration, Strategic Management and a Bachelor of Arts, Public Administration.




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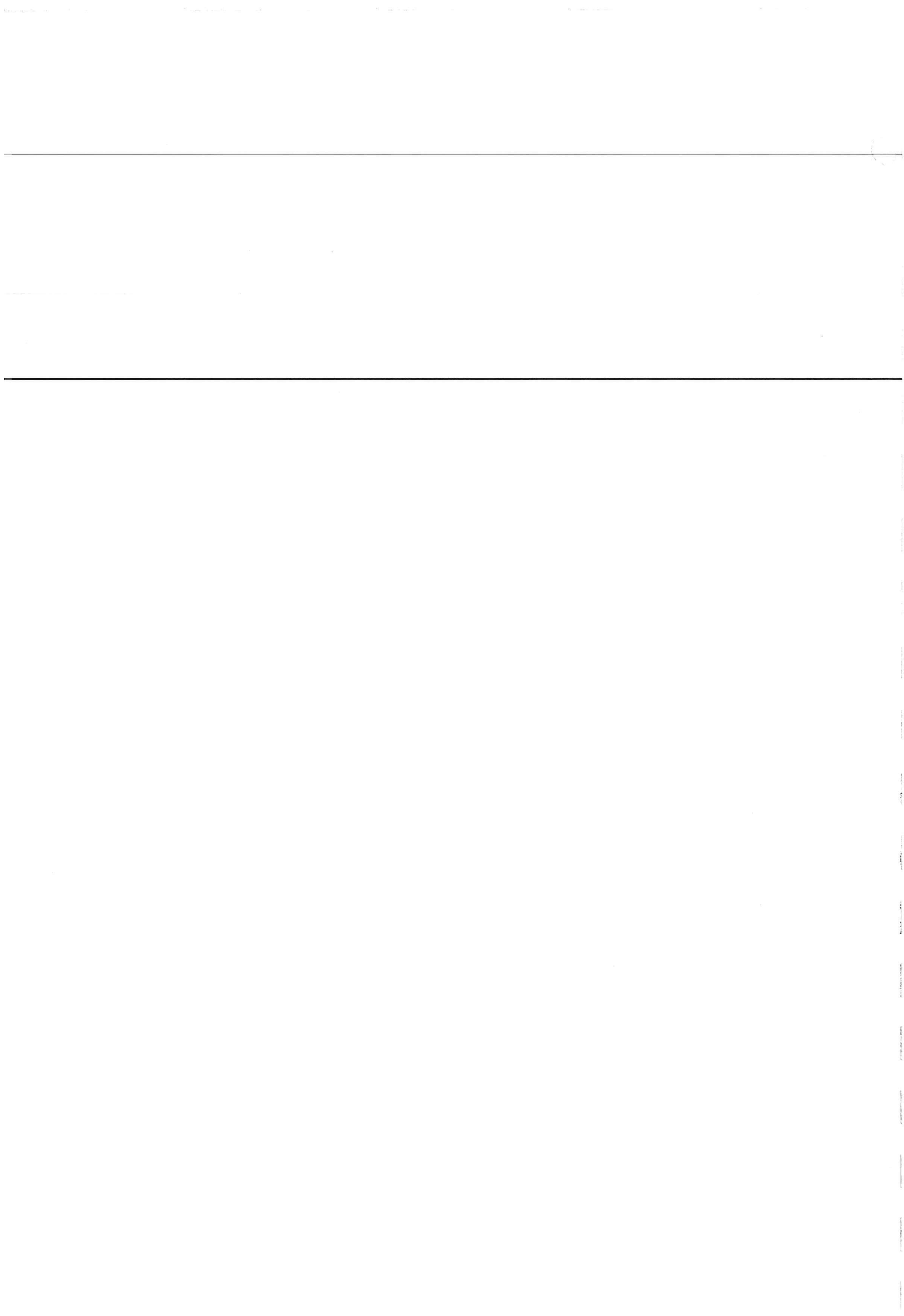
 <p>Dr. William K. Kiprono, EBS</p>	<p>Representing the Principal Secretary, Labour</p>	<p>Dr. William K. Kiprono is the Secretary of Administration for the State Department for Labour. He holds a Doctorate Degree (PhD) in Educational Management. He has a wealth of experience in the civil service spanning 31 years.</p>
 <p>Joyce K. Gichomo</p>	<p>Representing the Principal Secretary, Infrastructure</p>	<p>Mrs Joyce K. Gichomo is Director Human Resource Management and Development, State Department for Infrastructure. She holds Master of Business Administration in Human Resource Management and Bachelor of Commerce. She is a registered Full member of the Institute of Human Resource Management. She has attended Strategic Leadership Programme among other senior management courses. She is a Human Resource Practitioner with over 32 years' experience.</p>
 <p>Mary Mugure Ngugi</p>	<p>Representing the Principal Secretary State Department of Public Service and Youth</p>	<p>Mrs Mary Mugure Ngugi is a Director Human Resource Management in State Department of Public Service. She holds a Bachelor Degree (Arts), Master's Degree and a Postgraduate Diploma in Human Resource Management. She has attained professional development courses locally, regionally and internationally. She has served the Public Service in various capacities for 28 years. She has attended Strategic Leadership Development Programme. Mrs Ngugi is a member of the Institute of Human Resource Management.</p>



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 <p>Christine K. Ileli</p>	<p>Representing the Attorney General</p>	<p>Christine is an advocate of the High Court of Kenya with a Bachelor of Laws (LL. degree and Master of Laws (LL.M) from the University of Nairobi, a Post Graduate Diploma in Legal Studies from the Kenya School of Law and a member of the Law Society of Kenya. She is a Principal State Counsel at the Office of the Attorney General and Department of Justice, currently under the Government Transactions Division with experience international Commercial Law, International Law and Land Laws.</p>
 <p>Patrick Mwenda Bucha, MBS</p>	<p>Secretary, Housing</p>	<p>Patrick Bucha was born in 1964. He is Secretary, Housing in the State Department for Housing and Urban Development. He holds a Master of Arts in Building Management, Bachelor of Arts in Building Economics and currently undertaking PhD in Leadership and Governance. He is a registered Quantity Surveyor with Board of Registration for Architects and Quantity Surveyors. He has 28 years of experience.</p>
 <p>Mr. Simon O. Opondo</p>	<p>Ag Director CSHSF and Secretary of the SMC.</p>	<p>Simon Odhiambo Opondo was born in 1960. He is the Ag Director, Civil Servants Housing Scheme Fund. He boasts of over 30 years' experience in Civil as an Architect and ten years as the project Manager in the Civil Servants Housing Scheme Fund.</p> <p>He holds a Master's of Science degree in Architecture and a member of the Architectural Association of Kenya. He is a registered Architect with BORAQS.</p>



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IV. Secretariat Members Of The Civil Servants Housing Scheme Fund (CSHSF)

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 Mr. Simon O. Opondo	Ag Director, Civil Servants Housing Scheme Fund and officer in charge of the Fund Secretariat.	<ul style="list-style-type: none"> • MSc Architecture, MAAK • Registered Architect
 Mr. Julius G. Wairagu	Project Manager	Bachelor of Architecture Registered Architect
 Mr. Boniface M. Ngochi	Estate Manager	<ul style="list-style-type: none"> • MA Planning(Urban & Regional Planning) • BA(Hons)Land Economics • Member of the Institution of Surveyors of Kenya (MISK)
 CPA. Fredrick Kiptarus Karuen	Scheme Accountant	<ul style="list-style-type: none"> • MBA(Finance) • B A (Finance and Accounting) • CPA(K) • Member Institute of Certified Public Accountants (ICPAK)

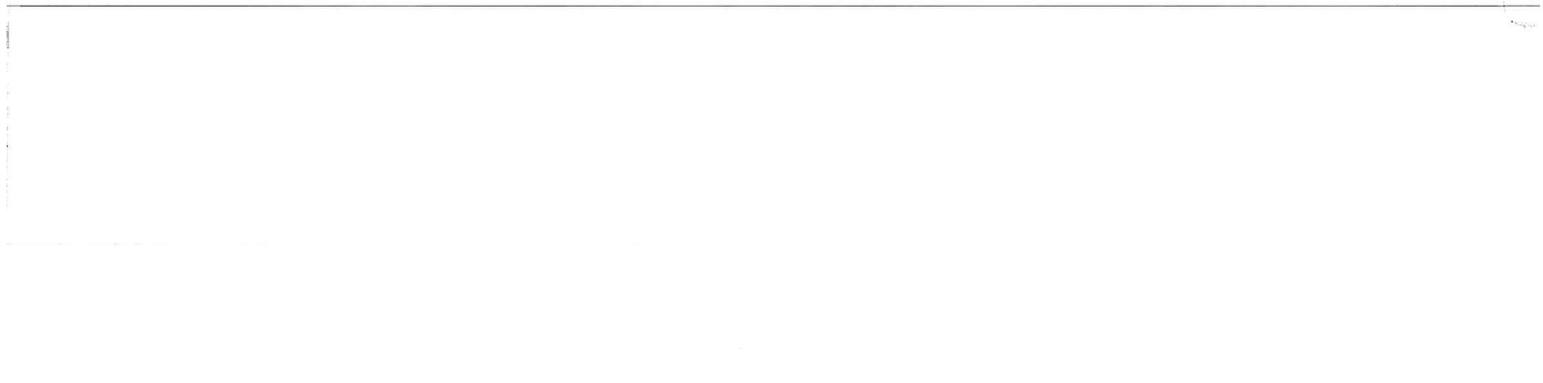
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V. CABINET SECRETARY'S STATEMENT

The Cabinet Secretary's Report

To ensure adequate and affordable access to housing to civil servants, the civil servants housing scheme regulations were reviewed through the civil Servants Housing Scheme fund Amendment Regulations 2015. Key amendments were: -

- i. The Loan repayment period was prolonged from 18 years to 20 years to facilitate low monthly loan repayments by beneficiaries.
- ii. Maximum loan facilitation under the Scheme was raised from Kshs 5,000,000 to between Kshs 4,000,000 and 20,000,000 depending on one's job group.
- iii. Introduction of provisions for engagement of partners in construction projects to take advantage of private sector resources through Public Private Partnerships (PPP).
- iv. Down payment for construction loans was lowered from 30% to 10% to ensure high initial costs don't deter civil servants from accessing housing loans.
- v. The Scheme was limited to employees working in a Ministry within National Government



VI. REPORT OF THE PRINCIPAL SECRETARY

Administrator of Fund Report

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund had at 30 June, 2021 accomplished the following: -

a. Houses directly financed by the Fund

- A total of 32 civil servants were financed by the CSHSF to purchase housing units sold by the National Housing Corporation (NHC) in Madaraka estate and National Social Security Fund (NSSF) in Embakasi and Langata estates.

b. Constructed houses for Sale

i. Nairobi

A total of 747 housing units have been constructed through the Fund and sold on outright and tenant purchase basis in Nairobi. The constructed and sold houses are 559 in Ngara, 50 in Kilimani, 40, 22 and 26 in Kileleshwa, Nyeri Road, Makueni Road and Gichugu Road respectively and 50 in Jogoo Road.

A total of 548 housing units in Park Road were purchased from the affordable Housing Program and allocated to Civil Servants. The units costed kshs 1,686,500,000

ii. Kisumu

A total of 250 housing units have been constructed through the Fund out of which 210 are for sale and 40 for rental. Of the 210 units for sale, 190 units have been sold either on outright purchase or tenant purchase scheme terms. The rental units are fully occupied.

iii. Others-Kiambu, Machakos and Embu

A total of 193 housing units in Kiambu; 220 housing units in Embu and 200 housing units in Machakos have been advertised for sale and successful applicants have been issued with allocation letters. The unsold houses have been re-advertised. Machakos units are complete whereas Kiambu and Embu houses are under construction and are expected to be complete within the financial year.

c. Construction of houses for sale

- Construction of houses is ongoing in Embu, Kiambu, and Machakos. There are 220 housing units under construction in Embu, 193 houses and a pre-primary school in Kiambu

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and 200 houses in Machakos. The Machakos housing project is 98% complete and preparations for handing over will soon commence. The Embu housing project will be completed in two phases I and II. The project is 99 % complete and will be completed by October 2021. Kiambu housing project is 94% complete and is projected to be completed the financial 2020/21.

Park Road, Nairobi housing project is being developed by the State Department for Housing and Urban Development under the Affordable Housing Programme (AHP). The project consists of construction of 1,370 No. one, two and three bedroom units, commercial facilities nursery school and related infrastructural facilities. 548 (40%) of the housing units have been reserved for civil servants in the National Government and National Police Service officers. The Fund will facilitate the officers to acquire the 548 housing units to the tune of KShs. 1,686,499,910 distributed as 30 No. one bedroom units of 30 sqm, 112 No. two bedroom units of 40 sqm, 166 No. two bedroom units of 60 sqm, 90 No. three bedroom units of 60 sqm and 150 No. three bedroom units of 80 sqm.

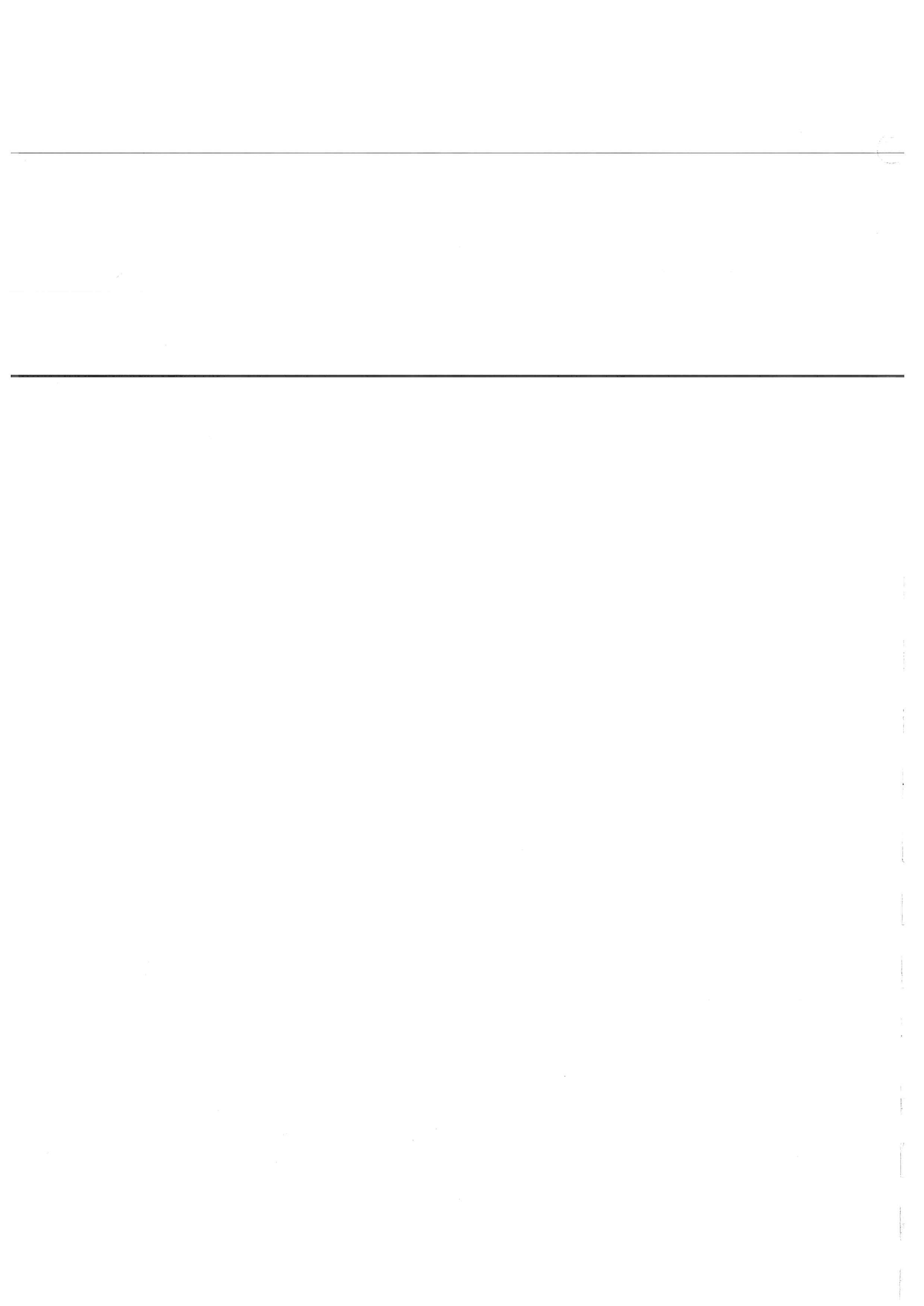
Procurement of investors for housing development in Starehe and Shauri Moyo, Nairobi is at an advanced stage and construction of the projects is expected to commence in the year 2021.

Other housing projects proposed for development soon are in the five counties of Nakuru, Nyeri, Kisii, Meru and Eldoret. Expressions of Interest (EOI) have been advertised.

d) Granting of Mortgage Loans to Civil Servants

The Fund had as at 30th June, 2021 facilitated 1321 civil servants with mortgage loans for construction and purchase amounting to about Kshs. 6.21 Billion through Kenya Commercial Bank (KCB) and Housing Finance (HF) Group as shown in the table below. The loans issued to civil servants within the fourth quarter of FY 2020/2021 amounted to about KShs. 194,515,819 facilitating 30 no. civil servants.

S/No	Financial Institutions	Number of Civil Servants	Amount (Kshs.)
1	Kenya Commercial Bank	865	4,233,032,800.85
2	Housing Finance	456	2,0009,058,327
	Total	1,321	6,242,091,127.85



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e) Houses Constructed and Rented to Civil Servants

Out of the houses developed through the Fund a total of 491 housing units have been reserved for rental to civil servants. The rented flats are 96 No. in Ngara estate; 140 No. in Shauri Moyo estate; 175 No. in Jogoo Road estate and 40 No. in Kisumu Shauri Moyo estate.

f) Commercial Premises

Development of Ngara housing project comprised the housing units and;

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

The facilities are for rental purpose.

During the financial period, the Fund achieved the following:

- i. Purchased and allocated 548 no. houses in Park Road to Civil servants on either outright or tenant purchase terms.
- ii. The department issued loans to Civil Servants amounting to KShs. 194,515,819 for purchase or construction of residential houses.

The performance of the department in the fourth quarter ending 30th June, 2021 relative to the previous periods was good. However, there is room for improvement. There is a need to make use of Public Private Partnerships (PPP) to ensure more houses are constructed. There is also need to use cheaper and faster construction technologies in order to achieve adequate housing for Civil Servants.

Challenges

The above achievements were realized amidst various challenges that hindered the fast realization of the funds objectives:

- i. Allocation of government land earmarked for construction projects to private individuals or developers
- ii. Delayed remittance of CSHSF monies by Government Ministries, Departments, Agencies and County Governments.
- iii. Remittance of CSHSF monies to wrong accounts by Government Ministries, Departments, Agencies and County Governments.
- iv. Inadequate capacity despite enlargement of the Fund's portfolio.
- v. Delay in completion of construction projects which defers realization of funds for use in other projects.

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- vi. Lengthy procedure in procurement of projects under Public Private Partnership arrangements.
- vii. Unforeseen impacts of COVID-19 pandemic which have adversely affected the income from the Ngara shopping centre and school complex.

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

A going concern

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

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VIII. CORPORATE GOVERNANCE STATEMENT

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

The SMC approved purchase 40% of units developed under the AHP and sale of the units to civil servants. That will improve access of housing to Civil Servants.

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

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

IX. REPORT OF THE SCHEME COMMITTEE

The Directors submit their report together with the audited financial statements for the period ended June 30, 2021 which show the state of the Civil Servants Housing Scheme Fund's affairs.

Principal activities

The key strategic priorities for the year were

- i. Facilitation of at least 120 civil servants with loans to buy or construct residential houses.
- ii. Purchase of 548 houses under the Affordable Housing Program and allocation to civil servants
- iii. Complete construction and sale of 200 units in Machakos, 193 units in Kiambu and 220 units in Embu
- iv. Initiation of Public Private partnership process for construction of houses in Nakuru, Meru, Kisii, Kakamega and Nyeri
- v. Initiation of Public Private partnership process for construction of Shauri Moyo and Starehe Estate
- vi. Raise funds for the fund activities and prudent management of the finances.

Results

The results of the entity for the year ended 30th June, 2021 are set out on page 1 to 56

Directors

The members of the scheme committee who served during the year are shown on page 6 to 9.

Auditors

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

By Order of the Board

Principal Secretary

State Department of Housing and Urban Development

Date: 14th September, 2021

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X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that Civil Servants Housing Scheme Fund, which give a true and fair view of the state of affairs of the Civil Servants Housing Scheme Fund at the end of the financial year and the operating results of the Civil Servants Housing Scheme Fund for that year.

The Directors are also required to ensure that they keep proper accounting records which disclose with reasonable accuracy the financial position of the Civil Servants Housing Scheme Fund. The Directors are also responsible for safeguarding the assets of the Civil Servants Housing Scheme Fund.

The Directors are responsible for the preparation and presentation of the Civil Servants Housing Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2021.

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

The Directors accept responsibility for the Civil Servants Housing Scheme Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Civil Servants Housing Scheme Fund financial statements give a true and fair view of the state of Civil Servants Housing Scheme Fund's transactions during the financial year ended June 30, 2021, and of the Civil Servants Housing Scheme Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Civil Servants Housing Scheme Fund, which have been relied upon in the preparation of the Civil Servants Housing Scheme Fund's financial statements as well as the adequacy of the systems of internal financial control.

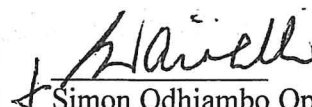
Nothing has come to the attention of the Directors to indicate that the Civil Servants Housing Scheme Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Civil Servants Housing Scheme Fund's financial statements were approved by the Board on 1st September, 2020 and signed on its behalf by:



Charles M. Hinga, CBS
Principal Secretary
14th September, 2021.



Simon Odhiambo Opondo
Ag. Director/CSHSF
14th September, 2021.

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CIVIL SERVANTS HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021 - STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for 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, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Civil Servants Housing Scheme Fund set out on pages 1 to 34, which comprise of the statement of financial position as

Report of the Auditor-General on Civil Servants Housing Scheme Fund for the year ended 30 June, 2021 - State Department for Housing and Urban Development

at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Civil Servants Housing Scheme Fund as at 30 June, 2021, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Statement of Changes in Net Assets

The statement of changes in net assets reflects accounts capital/development grants/funds balance of Kshs.9,080,969,134 as at 30 June, 2021. A casting of the balances gives a total amount of Kshs.9,080,933,130 resulting to a variance of Kshs.36,004. Similarly, the statement reflects payable 10% deposits reserves balance of Kshs.602,785,168 while the supporting schedule reflects a balance of Kshs.602,749,167 resulting to a variance of Kshs.36,001. Further, the statement reflects capital reserves debit balance of Kshs.2,070,562 and deposit for houses debit balance of Kshs.7,577,065 whose supporting analysis were not provided for audit review.

Under the circumstances, the accuracy and validity of the statement of changes in net assets could not be confirmed.

2. Use of Goods and Services

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects an expenditure Kshs.107,340,348 under use of goods and services. Review of records provided revealed the following:

2.1 Advertisement, Awareness and Publicity

Included in the expenditure on use of goods and services is an amount of Kshs.69,653,017 incurred on advertisement, awareness and publicity. However, payment documents in support of expenditure totalling to Kshs.19,816,552 were not provided for audit review. Further, the amount of Kshs.69,653,017 includes an expenditure of Kshs.29,294,888 whose break down was not provided for audit verification. In addition, the total expenditure includes payments totalling of Kshs.31,300,188 relating to general expenses, travel and domestic expenses that were misclassified under advertisement, awareness and publicity.

2.2 Training Expenses

The expenditure on use of goods and services includes training expenses of Kshs.5,000,000. However, the amount excludes payments totalling to Kshs.2,511,880 which although traced in the cash book, were not included in the ledger and supporting schedule.

2.3 Electricity Expenses

Included under use of goods and services expenditure is an amount of Kshs.646,048 in respect of electricity expenses. However, the amount did not include payments amounting Kshs.1,195,551 which were instead charged to refurbishment of residential buildings.

Under the circumstances, the accuracy and validity of the use of goods and services expenditure of Kshs.107,340,348 for the year ended 30 June, 2021 could not be ascertained.

3. Receivables from Exchange Transactions

As disclosed at Note 17 to the financial statements, receivables from exchange transactions balance of Kshs.6,097,035,324 comprised of current receivables of Kshs.392,643,328 and long-term receivables of Kshs.5,704,391,996 as at 30 June, 2021. Included in the current receivables of Kshs.392,643,328 is an amount of Kshs.109,647,558 owed by the Principal Secretary-Lands which has remained outstanding for several years. In addition, the current receivables reflects rent and service charge arrears balances of Kshs.237,105,191 and Kshs.45,890,579, respectively. The analysis provided revealed that although the balances were grouped as current receivables, most of the balances have been outstanding for several years and some were running balances. Further, Management did not provide details of the composition of long-term receivables of Kshs.5,704,391,996 since the ledger extracts provided for audit review did not indicate the names of persons or institutions owing the Funds. In addition, no provision for bad and doubtful debts has been provided despite some balances remaining outstanding for a considerable long period.

In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.6,097,035,324 as at 30 June, 2021 could not be confirmed.

4. Cash and Cash Equivalents

As previously reported, and as disclosed in Note 16 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.2,234,665,183 as at 30 June, 2021. However, the bank reconciliation statement for the deposit account reflects un-banked receipts totalling to Kshs.17,840,670 out of which amounts totalling to Kshs.14,360,196 was in respect to 2018/2019 and 2019/2020 financial years. Further, the reconciliation statement reflects unrepresented cheques totalling to Kshs.21,274,256 out of which clearance status for payments totalling to Kshs.1,709,090 was not provided for audit review. In addition, the clearance status of receipts in the bank statement not in the cashbook amounting to Kshs.182,667,400 was not provided for audit review.

In the circumstances, it was not possible to confirm whether the cash and cash equivalents balance of Kshs.2,234,665,183 as at 30 June, 2021 was fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Civil Servants Housing Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and expenditure budget of Kshs.372,275,206 and Kshs.240,518,763, respectively resulting to a variance of Kshs.131,756,443. No explanation was provided for the unbalanced budget. In addition, the Fund expended Kshs.155,864,653 against an approved budget of Kshs.240,518,763 resulting to an under-expenditure of Kshs.84,654,110 or 35% of the budget. The Management did not provide the approved budget for the 2020/2021 financial year and as a result, the validity of the final receipt and expenditure budget amounts of Kshs.372,275,206 and Kshs.240,518,763 respectively could not be confirmed. In addition, it was not possible to confirm whether the Fund was authorised to incur the total expenses of Kshs.155,864,672 reflected in the statement of financial performance for the year ended 30 June, 2021, which is contrary to Regulations 51(2) of the Public Finance Management (National Governments) Regulations, 2015 that requires expenditure commitments for supply of goods and services to be controlled against spending and procurement plans approved by the responsible Accounting Officer based on allocations from approved budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Machakos Housing Project

As reported in the previous year, the contract for the Machakos Housing Project was awarded on 25 August, 2017 at a sum of Kshs.706,500,000 which was later revised to Kshs.744,475,735 for a duration of ninety-six (96) weeks ending on 21 June, 2019. An extension of time was subsequently granted to 20 November, 2020. Information provided by the Management indicate that the project was completed, and a practical completion certificate issued on 12 August, 2020. However, and as similarly reported in 2019/2020, payments amounting to Kshs.10,639,982 were made out from the contract without adequate supporting documents contrary to Regulations 99(3) of the Public Finance Management (National Government) Regulations, 2015.

2. Delay in Completion and Failure to Recover Liquidated Damages for Embu Housing Project

As reported in the previous year, the contract for the Embu Housing Project was awarded at a sum of Kshs.843,932,665 and later revised to Kshs.866,737,918 for a duration of ninety-six (96) weeks ending on 20 June, 2019 and later revised to 31 July, 2020. However, information available indicate that the project was completed on 31 December, 2021. The project was thus behind schedule by 68 weeks by the time of completion. Review of the contract document further indicate that liquidated damages were provided at the rate of Kshs.300,000 per week which translate to Kshs.20,400,000 for the 68 weeks duration. However, no evidence was provided for audit review to confirm that the liquidated damages were charged and recovered as provided for in the contract.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards requires that I plan and perform the audit so as to obtain assurance as to whether effective processes and systems of internal control, risk management and governance were

maintained in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

-
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
 - Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

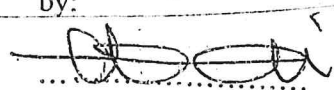
13 May, 2022

Civil Servants Housing Scheme Fund
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For The Period Ended
June 30, 2021

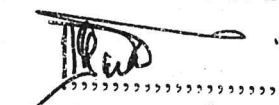
IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from exchange transactions			
Mortgage Interest	6	168,387,858.30	140,755,265
Investment Interest	7	123,529,364.6	
Bank Interest	5		82,269,609
Rental revenue from facilities and equipment	8	19,371,051.50	60,308,236
Finance income	9	60,691,370	21,664,730
Other income-sale of f	10	295,562	1,646,000
Total revenue		372,275,206.45	306,643,840
Expenses			
Boards/Council expenses	11	2,070,000	5,843,890
Use of goods and services	12	107,340,347.62	38,318,160
Depreciation & Amortization expenses	13	21,818,783	23,194,887
Repairs and maintenance	14	17,551,767	47,725,822
Contracted services	15	7,083,774.59	0
Total expenses		155,864,672	115,082,759
Other gains/(losses)			
Surplus/(deficit) for the period/year		216,410,534.45	191,561,081
Remission to National Treasury		0	0
Net Surplus for the year		216,410,534.45	191,561,081

The notes set out on pages 9 to 56 form an integral part of these Financial Statements.
The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors
by:


Charles M. Hinga, CBS


Simon Odhiambo Opondo


CPA F. Karuen

Principal Secretary
Date 14th September, 2021.

Ag. Director/CSHSF
Date 14th September, 2021.

ICPAK Member 7660
Date 14th September, 2021.


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V. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	2,234,665,183.00	2,848,427,463.20
Current portion of receivables from exchange transactions	17(a)	392,643,328.00	352,029,009
Receivables from non-exchange transactions	18	231,000.00	231,000
Work in Progress	19	3,233,611,682.03	2,951,074,753.00
Total Current Assets		5,861,151,193.03	6,151,762,225.20
Non-Current Assets			
Net Land & Buildings Rental-Investment Property	21	794,608,831.71	814,983,417.14
Land & Buildings (Unallocated Houses)		2,467,334.00	2,467,334.00
Net Property Plant & Equipment	20	6,414,770.00	7,311,667
Long term receivables from exchange transactions	17(b)	5,704,391,996.23	5,122,540,965
Total Non- Current Assets		6,507,882,931.94	5,947,303,383
Total Assets		12,369,034,123.69	12,099,065,608.20
Liabilities			
Current Liabilities			
Trade and other payables	22	185,296,847.69	208,505,362
Total Current Liabilities		185,296,847.69	208,505,362
Non-Current Liabilities			
Borrowings		-	-
Total Non- Current Liabilities		-	-
Total Liabilities		185,296,847.69	208,505,362
Net assets		12,183,737,276.00	11,890,560,246.20
Reserves		2,886,357,608	2,694,796,527
Surplus		216,410,534.45	191,561,081
Capital Fund bf		9,080,969,133.55	9,004,202,640.00
Total Net Assets		12,183,737,276.00	11,890,560,246.20
Total Net Assets and Liabilities		-	-

Civil Servants Housing Scheme Fund
Annual Report And Financial Statements
For The Period Ended
June 30, 2021

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors
by:




Charles M. Hinga, CBS
Principal Secretary

Date 14th September, 2021.



Simon Odhiambo Opondo
Ag. Director/CSHSF

Date 14th September, 2021.



CPA F. Karuen
ICPAK Member 7660

Date 14th September, 2021.

For The Period Ended
June 30, 2021

VI. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
As at July 1, 2019		0	0	0	2,694,796,527	0	9,194,580,653	11,889,377,180
Issued new capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ Deficit for the year		-	-	-	191,561,081	-	-	191,561,081
Capital/Development grants received during the year		-	-	-	-	-	750,000,000	750,000,000
Property Validation and rental collections reserves		-	-	-	-737,093,837	-	-1,182,673,881	-1,919,767,719
Accounts payable 10% deposits reserves		-	-	-	-	-	-	-
Reserves on Sale of Houses		-	-	-	-	-	979,389,704.34	979,389,704.34
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid -- 2020		-	-	-	-	(-)	(-)	(-)
Interim dividends paid -- 2021		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
As at June 30, 2020		-	-	-	2,886,357,608	-	9,004,202,642.46	11,890,560,250.46
As at July 1, 2020		-	-	-	2,886,357,608	-	9,004,202,642.46	11,890,560,250.46
Issue of new share capital		-	-	-	-	-	-	-

For The Period Ended
June 30, 2021

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Surplus/ deficit for the year		-	-	-	216,410,534.45	-	-	216,410,534.45
Capital/Development grants received during the year		-	-	-	-	-	200,000,000	200,000,000
Property Validation and rental collections reserves		-	-	-	-	-	152,224,868	152,224,868
Accounts payable 10% deposits reserves		-	-	-	-	-	(602,749,167.73)	(602,749,167.73)
Reserves on Sale of Houses		-	-	-	-	-	336,938,417.54	336,938,417.54
Capital Reserves		-	-	-	-	-	(2,070,562)	(2,070,562)
Deposit for houses		-	-	-	-	-	(7,577,064.72)	(7,577,064.72)
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid - 2021		-	-	-	-	(-)	-	(-)
Interim dividends paid - 2021		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
As at June 30, 2021		-	-	-	3,102,768,142	-	9,080,969,133.55	<u>12,183,737,276.00</u>

Note:

Property Validation and Rental collection: There were properties owned by Government of Kenya preceding the establishment of the Civil Servants Housing Scheme Fund, which were put up for sale following a cabinet memo ref.no. **OP.CAB.58/44 of 25th June 2004** (attached) which considered the properties non-strategic and the civil servants who were renting the houses at the time of the decision to sell were given priority to purchase the houses.

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

Cash flows from operating activities			
Surplus for the Year		216,410,534	191,561,080
Add: Depreciation		21,818,783	23,194,887
Operating surplus before working capital changes		238,229,317	214,755,967
Working Capital changes:			
Debtors / Accounts Receivable		(40,614,318.51)	(8,396,945)
Creditors / Accruals		(23,208,514.31)	22,163,741
Work In Progress		(282,500,929.00)	(723,985,012)
Net cash flows from/(used in) operating activities		(108,094,445)	(495,462,249)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(547,300)	(963,988)
Mortgage Recoverable SCHEME		(287,978,005.15)	92,325,914.20
Mortgage Recoverable KCB(S&L)		9,980,303.20	(415,640,539)
Mortgage Recoverable HFCK		(300,011,111.34)	279,921,362
Group Insurance		(3,842,217.46)	(1,594,362)
Net cash flows from/(used in) investing activities		(582,398,330.75)	(45,951,612)
Cash flows from financing activities			
Capital Reserve		(2,070,562)	0
Accounts Payable (10% deposit)		(602,785,163.73)	(149,044,998)
Government Capital Injection Reserve		200,000,000	750,000,000
Property Validation & Rental Collection		152,224,868	(791,333,014)
Reserve on sale of houses		336,938,418	0
Deposit for Houses		(7,577,064.72)	0
Net cash flows from /(used in) financing activities		76,730,495.55	(190,378,012)
Net increase/(decrease) in cash and cash equivalents		(613,762,280.00)	(731,791,873)
Cash and cash equivalents at 1 JULY		2,848,427,463.00	3,580,219,336
Cash and cash equivalents at 30 JUNE		2,234,665,183.00	2,848,427,463.00

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above) Cashflow is presented using indirect method

Notes:

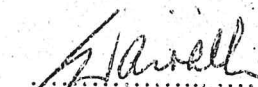
- 1) Accounts payable (10% deposit) includes 10% deposit for houses remitted by unsuccessful applicants who are yet to be refunded
- 2) Property Validation and Rental collection: There were properties owned by Government of Kenya preceding the establishment of the Civil Servants Housing Scheme Fund, which were put up for sale following a cabinet memo ref.no. OP.CAB.58/4A of 25th June 2004 (attached) which considered the properties non-strategic and the civil servants who were renting the houses at the time of the decision to sell were given priority to purchase the houses

Civil Servants Housing Scheme Fund
Annual Report And Financial Statements
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June 30, 2021

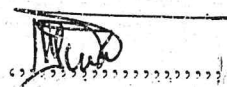
The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Charles M. Hinga, CBS



Simon Odhiambo Opondo



CPA F. Karuen

Principal Secretary
Date 14th September, 2021.

Ag. Director/CSHSF
Date 14th September, 2021.

ICPAK Member 7660
Date 14th September, 2021.



**VIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR
ENDED 30 JUNE 2021**

	Original budget Kshs	Adjustment Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilization
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities						
Mortgage Interest	168,387,858.30	-	168,387,858.30	168,387,858.30	0	100%
Investment Interest	123,529,364.65	-	123,529,364.65	123,529,364.65	0	100%
Bank Interest	19,371,051.50	-	19,371,051.50	19,371,051.50	0	100%
Rental revenue from facilities and equipment	60,691,370	-	60,691,370	60,691,370	0	100%
Other income	295,562	-	295,562	295,562	0	100%
Other income						
Total income	372,275,206.45	-	372,275,206.45	372,275,206.45	0	100%
Expenses						
Board/Council expenses	20,000,000		20,000,000	2,070,000	17,930,000	10%
Use of goods and services	137,750,000	-	137,750,000	107,340,348	30,817,652	78%
Depreciation and amortization expense	21,818,783	(-)	21,818,783	21,818,783	-	100%
Repairs and maintenance	50,950,000	-	50,950,000	17,551,767	33,398,233	34%
Contracted services	10,000,000	-	10,000,000	7,083,775	2,916,225	71%
Total expenditure	240,518,783	(-)	240,518,783	155,864,672	85,062,110	72%
Surplus for the period				216,410,534.45		

For The Period Ended

June 30, 2021

Budget notes

1. (a) Boards/council expenses-most of the board meetings were virtual hence savings kshs 14,626,620 (10% over/ under) IPSAS 24.14
(b) Repairs and maintenance- due to fewer cases of repair

© contracted services- this was realised as a result of fewer personnel deployed by service providers hence lowering the cost.

2. The budget never changed during the financial year. (IPSAS 24.29)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Civil Servants Housing Scheme Fund (CSHSF) was established when The Civil Servants Housing Scheme Fund Regulation, 2004 were gazetted through legal notice no. 98 dated 15th September 2004 under the housing act Cap 117. This was after the cabinet approved the establishment of the Fund. Further on the Civil Servants (Housing Scheme Fund) (Amendment) Regulation, 2015 were gazetted as legal notice No. 231 of 7th December 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of affordable houses to civil servants.

2. Statement of Compliance and Basis of Preparation

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 the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*



NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the Scheme Management Committee on 1st September, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriations on the 2020-2021 budget following the governing body's approval.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 7 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no



NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a 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)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. 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.

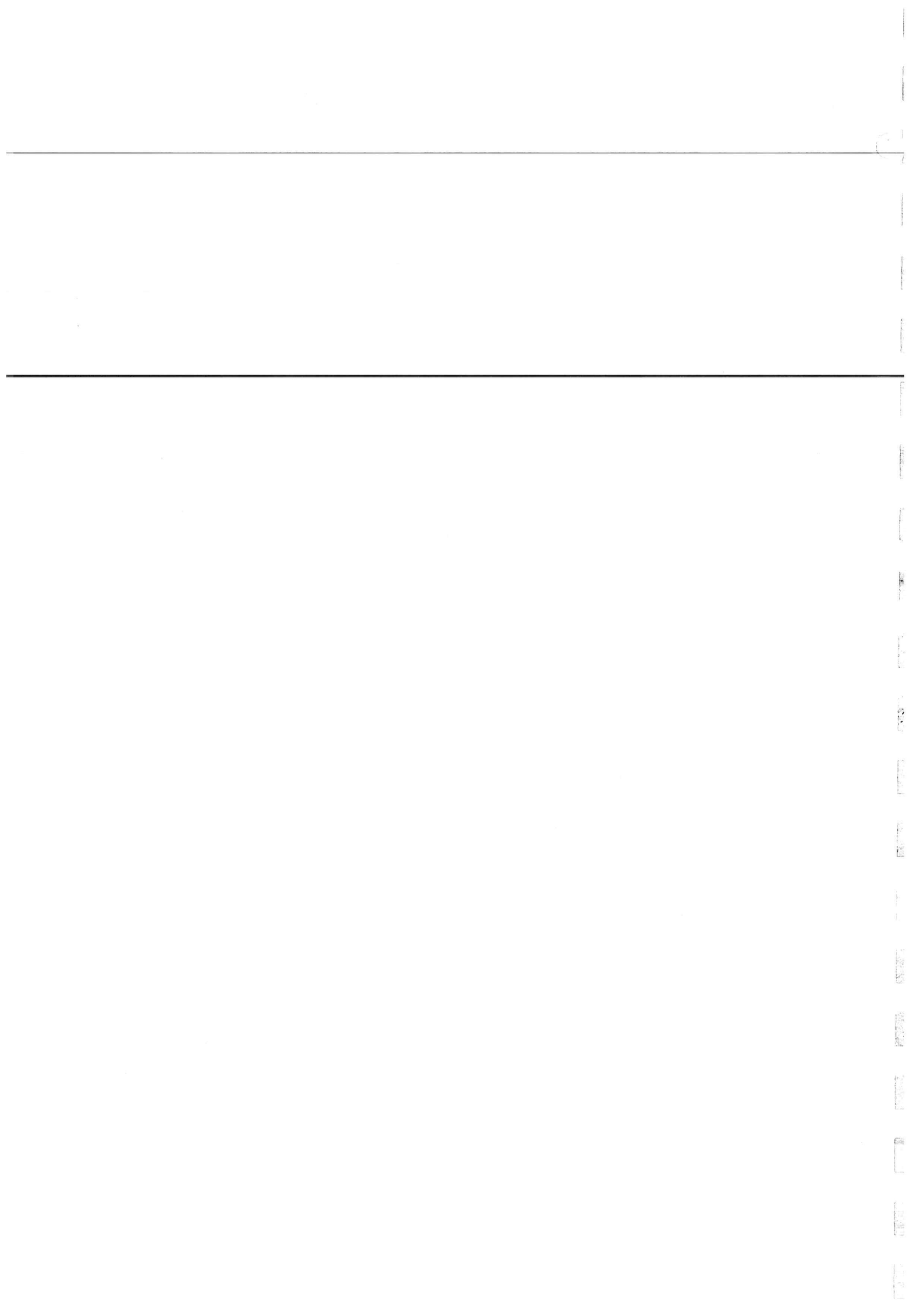
Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional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

q) Foreign currency transactions

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

r) Borrowing costs

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

s) Related parties

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

t) Service concession arrangements

The Entity 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, the Entity 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, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) 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 40.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Mortgage Interest

Description	2020-2021	2019-2020
	KShs	KShs
-Mortgage Interest Scheme	50,290,302	42,295,481
-Mortgage Interest KCB S & L	84,493,846.49	65,424,872
-Mortgage Interest HFCK	33,603,709.81	33,034,912
Total	168,387,858.30	140,755,265

7. Finance Income -Investment Interest

Description	2020-2021	2019-2020
	KShs	KShs
-CBK	58,963,500.00	39,214,750
-KCB	33,239,503.80	11,171,095
-HFCK	31,326,360.85	31,883,764
Total	123,529,364.65	82,269,609

(Provide brief explanation for this revenue)

*Contingent rentals include hire grounds, institutional facilities like halls, kitchen etc (Provide brief explanation for this revenue)

8. Bank Interest

Description	2020-2021	2019-2020
	KShs	KShs
-KCB	19,371,051.50	60,308,236
Total	19,371,051.50	60,308,236

9. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs	KShs
Rental income	60,691,370	21,664,730
Total	60,691,370	21,664,730

(This revenue was realized from rented properties)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Other Income	15,562	0
Sale of form	277,000	1,646,000
Sale of Boundary wall plans	0	0
Gross Margin Sale of Houses	0	0
Sale of tender	3,000	0
Disposal of Assets/Gains/Loss	0	0
Total other income	295,562	1,646,000

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

11. Board /Council Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Chairman/Directors' Honoraria	0	0
Sitting allowances	400,000	450,000
Induction and Training	300,000	200,000
Airtime calling cards, Internet	160,000	260,000
Other Expenses- secretariat	1,210,000	4,933,890
Total	2,070,000	5,843,890

12. Use of Goods and Services

Description	2020-2021	2019-2020
	KShs	KShs
Conference Seminars	2,136,066	1,512,108
Official Entertainment	2,000,000	1,469,610
Travel &Sundry Items	3,975,236	4,149,003
Accommodation	16,000,000	9,990,969
Advertisement Awareness Publicity	69,653,016.62	3,721,450
Publishing & Printing Services	715,000	435,000
General Office Supplies	5,000,000	4,632,068
Telephone & Mobile Services Airtime	1,429,440	1,396,200
Courier & Postal Services	110,048	0
Library Expenses	299,990	211,805

*Civil Servants Housing Scheme Fund
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For The Period Ended
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Description	2020-2021	2019-2020
	KShs	KShs
Training Expenses	5,000,000	1,811,064
Staff uniforms	0	0
Sanitary, Cleaning Materials	0	0
Subscription, Membership fee	66,834	115,600
Electricity	646,048	0
Bank Charges	133,069	149,895
Surveying of scheme Properties	175,600	894,100
Total Expenses	107,340,347.62	30,488,872

**Travel, accommodation, subsistence and other allowances- Where this cost has been budgeted under employee costs, please report it under note 17*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	21,818,783	23,194,887
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	21,818,783	23,194,887

14. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Refurbishment of residential buildings	12,156,359	47,563,969
Refurbishment of office	3,082,700	30,000
Investment property – earning rentals	0	0
Maintenance of Equipment	650,000	127,853
Motor Vehicle Repair	84,950	0
Furniture and fittings	0	0
Supplies & Accessories for computer	1,155,172.55	1,409,307
Office Maintenance	422,585	4,000
Total repairs and maintenance	17,551,767	49,135,129

15. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Guards & Cleaning Services	7,083,774.59	6,419,981
Property valuations	-	-
Total contracted services	7,083,774.59	6,419,981

16. (a) Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account Cash book Balances		
-Deposit Account	63,887,514.74	308,731,761
-Operation Account	2,903,418.40	157,472.80
Sub-Total	66,790,933.00	308,889,233.80

Civil Servants Housing Scheme Fund
Annual Report And Financial Statements
For The Period Ended
June 30, 2021

Explanatory notes for Central Bank –investment deposit on call -Principal-Interest

CENTRAL BANK OF KENYA 1000433493

	ISSUE NO.	PRINCIPAL	INT RATE	START DATE	END DATE	GROSS INT	WITHHOLDING TAX	NET INTEREST	REMARKS
1	2384/091	493,455,000.00	6.273	17.07.20	12.10.20	7,700,000.00	1,155,000.00	6,545,000.00	
2	2398/091	492,851,500.00	6.861	7.12.20	05.12.20	17,105,500.00	1,261,500.00	15,844,000.00	
3	2405/091	492,728,250.00	6.983	25.01.2021	26.04.21	8,555,000.00	1,283,250.00	7,271,750.00	
4	2384/182	484,156,000.00	7.7651	8.3.21	6.09.21	15,844,000.00	0	15,844,000.00	rolled CBK issue 2398/91 492851500
5	2391/182	483,718,250.00	7.989	3.5.21	6.9.21	19,155,000.00	2,873,250.00	16,281,750.00	REINVESTED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.Receivables from Exchange Transactions

17(a) Current Receivables from Exchange Transactions

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Debtors Ps Lands	109,647,557.72	109,647,558
Rent and service charge arrears	237,105,190.90	195,243,487
Service charge arrears	45,890,578.89	47,137,964
Total current receivables	392,643,328.00	352,029,009

17(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Mortgage Recoverable from Scheme	1,419,177,345.95	1,131,199,340.80
Mortgage Recoverable from KCB (S & L)	2,982,517,555.80	2,992,497,859.00
Mortgage Recoverable HFCK	1,247,479,940.02	947,468,828.68
Group Insurance Recoverable	55,217,154.46	51,374,937.00
Total non-current receivables	5,704,391,996.23	5,122,540,965.48
Total receivables (a+b)	6,097,035,324.23	5,474,569,975

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Trade Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Trade and other Receivables		
Trade Receivables	231,000	231,000
Total current receivables	231,000	231,000

19. Work-In-Progress

Description	2020-2021	2019-2020
	KShs	KShs
Work in progress		
Construction	2,974,909,545	2,688,479,905
Consultancy fees	184,650,146	169,922,275
Statutory fees and other charges	7,987,366.4	7,082,392
Retention	63,541,881	63,541,881
Facilitation of affordable Housing	2,522,743	22,084,300
Total Work in Progress	3,233,611,682	2,951,110,753

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (a) Property, Plant and Equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2020	814,983,417	53,670	4,441,752	2,816,245	0	0	0	822,295,084
Additions	0	0	0	-	0	547,300	0	547,300
Disposals	(0)	(0)	-	-	(0)	-	(0)	(0)
Transfers/adjustments	0	(0)	0	(0)	(0)	-	0	(0)
As at 30 th June 2021	814,983,417	53,670	4,441,752	2,816,245	0	547,300	0	822,842,384
Depreciation and impairment								
At 1 July 2020	(187,395,951)	(3,962,487)	(6,314,268)	(43,544,442)	(0)	-	(0)	(241,919,007)
Depreciation	(20,374,585)	(13,417)	(544,907)	(885,874)	(0)	-	(0)	(21,818,783)
Impairment	(0)	-	-	-	(0)	-	-	(0)
Transfers/Adjustments	(0)	0	0	(0)	(0)	-	0	(0)
As at 30 June 2021	207,770,536	3,975,904	6,859,175	44,430,316	(0)	0	0	263,737,790
Net book values								
As at 30 th June 2021	794,608,832	40,252	3,896,846	1,930,272	0	547,300	0	801,023,602
As at 30 th June 2020	814,983,417	53,670	4,441,752	2,816,245	0	0	0	822,295,084

(Include a brief description of WIP as a footer.)

NOTES TO THE FINANCIAL STATEMENTS (Continued).

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land and Buildings	1,002,379,368	207,770,536	794,608,831.71
Land & Buildings (Unallocated Houses)			2,467,334.00
Plant and machinery	0	0	0
Motor vehicles, including motorcycles	4,016,156	3,975,904	40,252.32
Computers and related equipment	46,439,797	44,509,425	1,930,371.82
Office equipment	547,300	0	547,300.00
Furniture, and fittings	10,756,021	6,859,175	3,896,845.56
Sub Total			6,414,769.70
	1,064,138,642	263,115,040	801,023,601.41

Notes:

Land & Building (Unallocated Houses) of Kshs. 2,467,334.00 is the pending properties that were part of the alienated government properties that were deemed irregular resulting in court cases that are yet to be determined. Therefore, the amount is constant in our financial statements until the court cases are determined

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	9
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Investment Property

Description	2020-2021	2019-2020
	KShs	KShs
Shauri Moyo/Jogoo 315units(conversion costs)	572,739,443	572,739,443
Ngara Desai Roard,Rental 96 units(conversion costs)	429,639,926	429,639,926
Additions	0	0
Disposal during the year	(0)	(0)
Accumulated Depreciation	(207,770,536)	(187,395,951)
Impairment	(0)	(0)
At end of the year	794,608,832	814,983,418

(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance).

22. Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
10% Retention	20,429,071.77	195,075,064
Service Charge	15,908,612.11	7,678,052
Other deposit rental	135,312,343.41	0
Rent Security Deposit	2,115,887	2,115,887
Bank Loans Repayments	11,530,933.40	3,636,359
VAT	0	0
Other payables	0	0
Total trade and other payables	185,296,847.69	208,505,362

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

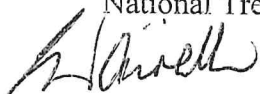
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)

Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to

National Treasury.



Director CSHSF

Date.14th September,2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented and funded by the Civil Servants Housing Scheme Fund and GOK

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Machakos-D111/EN/MKS /1501 Job 10056A	GOK	96 weeks	-	No	Yes
2	Kiambu-D111/CE/KMB/1502 Job No. 10069A	GOK	96 weeks	-	No	Yes
3	Embu D111/en/emb/1502 Job No. 10068A	GOK	96 weeks		No	Yes
4	Parkroad – Nairobi MTHUD/HUD/CSHS/03	GOK	96 weeks		No	Yes

Status of Projects completion

CSHSF purchased 548 Units for sale to Civil Servants at a cost of Kshs. 1,686,500,000 and they were all sold out on tenant purchase and outright purchase terms.

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Machakos	744,475,735.28	692,126,807.41	99%	706,560,000		GOK/CSHF
2	Embu	866,737,918.28	806,353,500.10	98%	843,737,919		GOK/CSHF
3	Kiambu	684,859,645.00	627,461,653.28	94%	684,859,645		GOK/CSHF
4	Parkroad – Nairobi	1,686,500,000	1,686,500,000	100%	1,686,500,000		GOK/CSHF

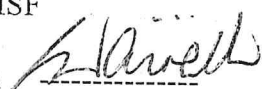
APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Housing and Urban Development				
FY 2021/2022				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22.01.21	150,000,000	FY 2020/2021
		04.05.21	50,000,000	FY 2020/2021
		Total	200,000,000	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	FY 2020/2021
			0	
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	FY 2021/2022
			0	
			0	
		Total	0	

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

Project Manager
CSHSF

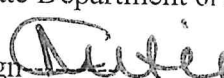
Sign



14th September, 2021

Head of Accounting Unit
State Department of Housing & Urban Development

Sign



14th September, 2021

