

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT DATE: 19 SEP 2024	DAY: THURSDAY
TABLED BY:	HON. ROBERT PUKOSE, MP
CLERK-AT THE-TABLE:	VIVIAN WAMBUI

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REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL HOUSING
DEVELOPMENT FUND**

**FOR THE EIGHTEEN (18) MONTHS
PERIOD ENDED 30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL
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NATIONAL HOUSING DEVELOPMENT FUND

REPORT AND FINANCIAL STATEMENTS

For the 18 months period ended
June 30th, 2021



Table of Contents

1	Abbreviation, Acronyms and Glossary of Terms	i
2	Key Fund Information and Management	ii
3	The Board of Trustees/Directors	vi
4	Management Team	xiii
5	Chairman's Report	xvi
6	Report of the Fund Administrator	xvii
7	Corporate Governance Statement	xviii
8	Management Discussion and Analysis	xix
9	Environmental and Sustainability Reporting	xxi
10	Report of the Trustees/Directors	xxii
11	Statement of Management's Responsibilities	xxiii
12	Report of the Independent Auditor for the Financial Statements of NHDF	xxiv
13	Statement of Financial Performance for the 18 Months ended 30th June 2021	1
14	Statement of Financial Position as at 30th June 2021	2
15	Statement of Changes in Net Assets For the 18 Months ended 30th June 2021	3
16	Statement of Cash Flows for the 18 Months ended 30th June 2021	4
17	Notes to the Financial Statements	5

1. ABBREVIATIONS, ACRONYMS AND GLOSSARY OF TERMS

a. Abbreviations and Acronyms

NHC	National Housing Corporation
AHP	Affordable Housing Programme
IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
NHDF	National Housing Development Fund
SDHUD	State Department of Housing and Urban Development

b. Glossary of Terms

Fiduciary management - Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

2. KEY FUND INFORMATION AND MANAGEMENT

a) Background Information

The Affordable Housing Programme (AHP) is a key tenet of the Government of Kenya's agenda to promote the long-term economic development of Kenyans. The objective of the AHP was to deliver 500,000 affordable housing units in its lifecycle.

The National Housing Corporation (NHC) has a key role in the AHP implementation and operationalization of the Fund. The National Housing Development Fund (the NHDF) regulations of 2018 sets out the rules governing the Housing Fund.

The Housing Fund is meant to enable Kenyans to save towards the purchase of an affordable home and to provide long term financing to homeowners through a Nationwide Tenant Purchase Scheme (TPS). Contributions to the Housing Fund begun on 12 June 2019.



b) Principal Activities



OUR
Vision

A Decently and Sustainably
Housed Nation

01



OUR
Mission

To Efficiently Provide and Facilitate
Access to Innovative Housing Solutions

02



OUR
Values

Equity
Integrity
Innovation
Commitment
Professionalism
Customer Focus
Team Work and Team Spirit
Environmental Sustainability

03

c) Board of Trustees/Directors

The Directors who served the entity during the period were as follows:

Name	Position
1. Eng. Stephen Ngare	Chairman
2. Amb. Ukur Yatani Kanacho	Cabinet Secretary, The National Treasury
3. Charles Hinga Mwaura	Principal Secretary, State Department of Housing and Urban Development
4. Silvester Migwi	Director
5. Jackson Kimuri	Director
6. Jane Mwangi	Alternate Director State Department for Housing & Urban Development
7. Jacqueline Mbithe Muindi	Alternate to the Cabinet Secretary, The National Treasury
8. Prof. Arch. Jerry Magutu	Director
9. Dr. Habil Olaka	Director
10. Patricia Nyambura Gathuri	Director
11. Caroline Armstrong - Ogwapit	Director
12. Violet Mwikali Mbindyo	Director
13. Andrew Saisi	Managing Director (Exited on 31.08.2021)
14. QS. (Dr.) Patrick M. Bucha, PhD, MBS	Ag. Managing Director
15. William K. B. Keitany	Corporation Secretary

Corporation Secretary

Mr. W.K.B Keitany,
P.O. Box 30257-00100
Nairobi, Kenya.

Registered Office

NHC House,
Aga Khan Walk,
Nairobi, KENYA
P.O. Box 30257-00100,
Nairobi, Kenya.

Corporation Headquarters

NHC House,
Aga Khan Walk,
P.O. Box 30257 – 00100,
Nairobi, Kenya.

Corporation Contacts

Telephone: +254 3312149/7
E-mail: info@nhckkenya.go.ke
Website: www.nhckkenya.go.ke

Independent Auditors

The Auditor General,
Office of the Auditor General,
P.O. Box 30084 – 00100,
Nairobi, Kenya.

Principal Legal Advisers

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112 – 00200,
Nairobi, Kenya.

Fund Service Providers

1. Administrators

Zamara Actuaries, Administrators & Consultants Limited,
Landmark Plaza, 10th Floor,
Argwings Kodhek Road,
P.O Box 52439 - 00200,
Nairobi, Kenya.

2. Investment Manager

Britam Asset Managers (Kenya) Limited,
Britam Centre,
Mara D Ragati Road Junction,
P.O. Box 50375 - 00100,
Nairobi, Kenya.

3. Custodians

KCB Bank Kenya Limited,
KCB Towers,
Kenya Road, Upperhill,
P O Box 30664 - 00100
Nairobi, Kenya.

NCBA Bank
Mara Rd. Upper-hill
P.O Box 44599-00100
Nairobi, Kenya

Co-operative Bank of Kenya
Co-op House Branch
P.O Box 67881 – 00100
Nairobi, Kenya

3. THE BOARD OF TRUSTEES/DIRECTORS



Hon. Eng. Stephen Muriuki Ngare

Chairman

Hon. Eng. Stephen Muriuki Ngare is the Chairman of the National Housing Corporation Board. He graduated with a Bachelor of Science in Civil Engineering from the University of Nairobi and a Master's degree in Environmental Studies specializing in Transportation Planning from York University, Toronto, Canada. He is a Registered Consulting Engineer by the Engineers Board of Kenya and a member of the Kenya Institute of Engineers.

He has over 35 years of extensive experience in the management of road projects in the public sector and has held the position of Deputy Chief Engineer (Roads) in the Ministry of Roads after which he was appointed to the Ministry of Public Works as General Manager in charge of Planning and Special Projects in Kenya National Highways Authority (KeNHA).

From 2013-2017, he was the Member of Parliament for Ndia Constituency, Kirinyaga County. He served as a member of the Budget and Appropriation Committee, Public Investment Committee and Transport, Public Works and Housing Committee.

Mr. Jackson Kimuri

Director

Mr. Jackson Kimuri is a senior management executive with over thirty-five (35) years' experiences in Strategic management, Leadership and Finance. He previously worked for Barclays Bank of Kenya Ltd as Deputy Director, Business Banking. Prior to being elevated to Deputy Director position, Mr. Kimuri held Senior Management positions in Barclays Bank of Kenya Ltd ranging from Head of Regional Corporate, Area Manager, Senior Risk Manager and Senior Corporate Manager. In the aforesaid positions, he led and managed large teams in audit engagements, corporate lending, project finance and branch network operations. He also has proven record in risk management, syndication implementation and in providing strategic leadership.

He has had the opportunity to train in Corporate and Business Banking, Finance restructuring including syndication at Barclays Bank, Thames Valley regional office, Reading, UK as part of Senior Management extensive training. Mr. Kimuri has also served as a Director of the Coffee Board of Kenya and is currently the Chairman of Sawela Lodges Naivasha, Country Director of Sentry Security of East Africa and Chairman and Financial Consultant of Ace Security Options.





Amb. Ukur Yatani Kanacho

Cabinet Secretary, National Treasury

Amb. Yatani is the Cabinet Secretary National Treasury. He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for the National Treasury & Planning he served as the Cabinet Secretary for Labour and Social Protection since January 2018.

Between the years 2006-2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests.

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

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

Mr. Charles Hinga Mwaura

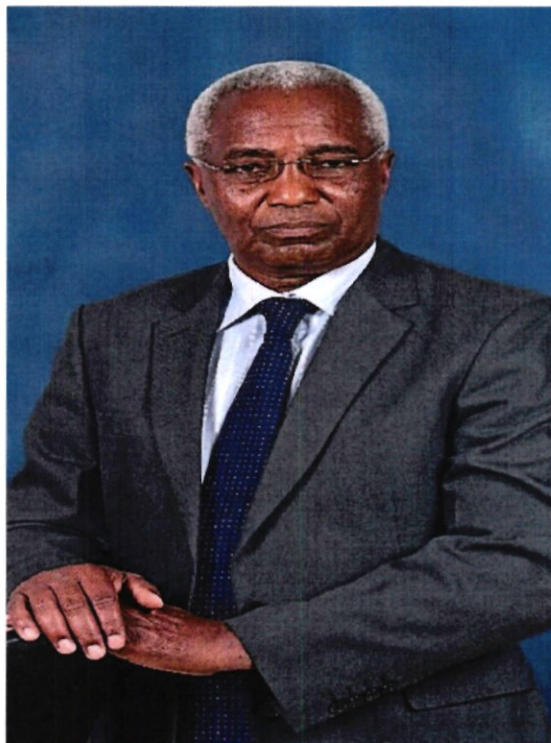
Principal Secretary, State Department of Housing and Urban Development

Mr. Charles Hinga Mwaura 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. He has successfully led a number of landmark advisory mandates including the R1.5 billion City of Johannesburg Broadband Network Project, PRASA restructuring and recapitalization plan, Phase 1B of Rea Vaya Rapid Bus Transportation System and Integrated Rapid Transport Network Project, just to mention a few.

Until the time of his appointment as the Principal Secretary State Department for Housing and Urban Development, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.





Mr. Silvester Njuguna Migwi

Director

Silvester Njuguna Migwi is a senior government executive having served as the Government printer, serving as the chief advisor to the Government of Kenya on matters pertaining to printing. He brings on board various skills and competencies gained over the years from the various capacities that he has served in the public sector.

He holds a Bachelor of Arts Degree in Business Management from the University of Sunderland, United Kingdom.

Silvester has previously served as a member of the Kenya Law Reporting, Ministerial Tender Committee and Ministerial Human Resource Advisory Committee for the Ministry of Interior and Co-ordination of National Government, Chairman Ministerial Audit Committee Ministry of Interior and Co-ordination of National Government, Chairman Committee on Procurement of Passport Issuing System, Department of Immigration among others.

Mrs. Jane Mwangi

Alternate Director, State Department for Housing & Urban Development

Mrs. Jane Mwangi is an alternate Director representing the Principal Secretary, State Department for Housing and Urban Development. She holds a Masters Degree in Housing Administration and a Bachelor's Degree in Land Economics from the University of Nairobi.

She has a wealth of experience in the housing sector including development of housing policies and related legislations. She has also undertaken professional training on Housing Policy Development in South Korea, various leadership courses at the Kenya School of Government among others. She has worked in the Department of Housing in the National Government since 1987 and has risen through the ranks to the current position of the Director of Housing. She is also a Member of the Institution of Surveyors of Kenya (Building Surveyors Chapter).





Ms. Patricia Nyambura Gathuri

Director

Ms. Patricia Nyambura Gathuri is an experienced professional Banker, with a successful career of thirty-one (31) years in various management positions within the Banking Industry. She brings on board various skills and competencies gained over the years, including banking operations, business strategy, business development, customer relationship management, asset and liability management, credit skills and risk management.

She holds a Bachelor of Arts Degree in Economics and Sociology (Upper Second-Class Honours) from the University of Nairobi.

Patricia is a certified professional coach from the Coach Development Institute of Africa (CDI-A), a consultant trainer and a member of the Chartered Institute of Securities and Investments (CISI) London. She also serves on the Board of Gemina Insurance Company Ltd. as an Independent Non-Executive Director and on the Board of Trustees for the Trust for Indigenous Culture and Health (TICAH).

Ms. Jacqueline Mbithe Muindi

Alternate to the Cabinet Secretary, The National Treasury

Ms. Muindi is a highly accomplished Lawyer with solid back ground in International Trade, Investment, Public Procurement and Commercial Law, with over 18 years' experience. She has technical expertise in executive management, Governance and policy formulation and implementation.

She enjoys working in challenging environments bringing to bear innovative legal solutions to societal challenges. In addition, Ms. Muindi has a solid ability to negotiate and conclude complex transactions and multifaceted issues.

She is currently, deployed by the Office of the Attorney General and Department of Justice to head the Legal Unit, The National Treasury and Planning. The services provided include, researching and advising the ministry on legal policy issues; drafting of complex bills and subsidiary legislation; overseeing and co-ordinating legal functions, including management of litigation by and against the ministry and negotiating, drafting and reviewing complex financing and procurement contracts





Ms. Armstrong Ogwapit

Director

Ms. Armstrong-Ogwapit has served in senior management positions in the banking and property industry in a career that spans 23 years.

In her previous role, she was responsible for the implementation of high impact strategic projects that were designed to enable the achievement of Housing Finance (HF) Group's business strategy.

She serves as an Independent Non-Executive Director of the Kenya Airways (KQ) Board where she was part of the recently concluded balance sheet restructuring as well as sitting as KQ's chosen representative on the Board of Jambo Jet, KQ's low-cost carrier.

Previously Ms. Armstrong-Ogwapit served as Vice-Chairperson on Kenya's Mining Task Force responsible for reviewing all licences issued within the industry and determining their validity as well as providing recommendations for the country's national mining policy.

Prof. Arch. Gerald Jerry Magutu

Director

Prof. Arch. Gerald Jerry Magutu is a registered Architect with the Board of Registration Architects and Quantity Surveyors (BORAQS) and is the Principal of Zed-Arch (K) Architects, a registered architectural firm in private practice.

He holds a PhD in Architecture and a Master of Architecture both from the University of California, Berkeley and a Bachelor of Architecture (First Class Honours) from the University of Nairobi.

He has undertaken numerous architectural practices as well as consultancy roles in and outside the country such as feasibility study for the proposed construction of PTA bank headquarters in Bujumbura and participated in the design completion of the proposed Shelter Afrique Headquarters in Nairobi among many other consultancies.

Prof. Arch. Magutu is a holder of a Rockefeller Careers Award by the Rockefeller Foundation and a Senior Research Fellowship Award by the CV Raman International Research Fellowship among many other awards. He is an accomplished professional both locally and internationally.





Dr. Habil Olaka

Director

Dr. Habil Olaka is an experienced Chief Executive Officer with a demonstrated history of working in the banking industry. He is skilled in negotiation, Enterprise Risk Management, Business Planning, Internal Audit, and Analytical Skills. He is a strong business development professional with a Doctor of Business Administration focused in Leadership and Strategic Management from United States International University – Africa.

He is the Chief Executive Officer of the Kenya Bankers Association and is responsible for the strategic direction of the Association under guidance from the KBA Governing Council. He was previously the Director of Operations of the East African Development Bank (EADB) based in Kampala after serving as the Resident Manager in Kenya. He also served the bank as the Head of Risk Management and as the Chief Internal Auditor prior to his appointment.

Dr. Olaka sits on a number of Boards representing the KBA such as the Kenya School of Monetary Studies, the Higher Education Loans Board, the Auctioneers Licensing Board, the Federation of Kenya Employers (FKE), to name a few. He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK) and the CFA Institute.

Mr. Andrew Saisi

Managing Director

Mr. Andrew Saisi is the Managing Director for National Housing Corporation. He holds a Masters degree in Business Administration from the Oxford Brookes University (UK). He is a qualified Civil Engineer and an Accountant registered with the Institute of Association of Chartered Certified Accountants (ACCA). He has a wide experience spanning over twenty years in Management, Engineering and Manufacturing. He was employed on 9th September 2011 as the General Manager Manufacturing Division and appointed as the Managing Director of the Corporation on 1st September 2015.





Mr. William Kimutai B. Keitany

Corporation Secretary

Mr. William Keitany is the Corporation Secretary. He holds a Bachelor of Laws degree from the University of Nairobi and a Postgraduate Diploma in law from the Kenya School of Law. He is an advocate of the High Court, a Certified Public Secretary, a member of the Law Society of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. He has a wide experience spanning over 20 years in matters of Administration and Law.

4. MANAGEMENT TEAM

Mr. Andrew Saisi

Managing Director

Mr. Andrew Saisi is the Managing Director for National Housing Corporation. He holds a Masters degree in Business Administration from the Oxford Brookes University (UK). He is a qualified Civil Engineer and an Accountant registered with the Institute of Association of Chartered Certified Accountants (ACCA). He has a wide experience spanning over twenty years in Management, Engineering and Manufacturing. He was employed on 9th September 2011 as the General Manager Manufacturing Division and appointed as the Managing Director of the Corporation on 1st September 2015.



Mr. William Keitany

Corporation Secretary

Mr. William Keitany is the Corporation Secretary. He holds a Bachelor of Law degree from The University of Nairobi and a Postgraduate Diploma in Law from the Kenya School of Law.

He is an advocate of the High Court, a Certified Public Secretary, a member of the Law Society of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. He has a wide experience spanning over 20 years in matters of Administration and Law.





Mr. Joel Gatune

General Manager, Finance

Mr Gatune is a Certified Public Accountant and Certified Public Secretary. He is a member of the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya.

He holds a Bachelor of Arts in Economics (First Class Honours) from Kenyatta University and a Master of Business Administration from The University of Nairobi.

He has over 25 years experience in Auditing, Strategy, Financial Planning and Management.

Prior to joining NHC, Joel worked for Deloitte as a Senior Auditor, ICEA LION Group as the Head of Finance, CIC Group as the Group General Manager, Finance and Investments and Kenya Orient Insurance as the General Manager, Finance and Strategy.

Eng. Thomas Ofwa

General Manger, Technical Services

Eng. Thomas Ofwa is the General Manager, Technical Services. He has over 25 years experience in design, construction supervision and contract management for civil/ structural engineering projects.

Eng. Ofwa joined NHC in 2004 and has risen through the ranks to the position of General Manager.

He holds a Bachelor of Science in Civil Engineering from the University of Nairobi and MBA from Kenyatta University. He is a registered consulting engineer with the Engineers Board of Kenya; a corporate member of the Institution of Engineers of Kenya; a member of the American Society of Civil Engineers; and a member of the Chartered Institute of Arbitrators (UK and Kenya Branch).





Mr. John Washington Agutu

General Manager, Estates

Mr. John Washington Agutu is the General Manager, Estates Division. He is a registered valuer and estate agent by the Valuers Registration Board and Estates Agents Registration Board, respectively, and is a full member of the Institution of Surveyors of Kenya.

Mr. Agutu is an accomplished real estate professional who holds a Master of Arts in Housing Administration and Bachelor of Arts (Land Economics) (Hons) from the University of Nairobi. He has 24 years experience in estate management, housing development, financing and valuations accumulated while working for the central government, private sector and the National Housing Corporation.

Mr. Edwin Njeru

Internal Audit Manager

Mr. Edwin Njeru is the Internal Audit Manager. He has over 15 years experience drawn from the banking sector in Internal Audit and possesses significant business leadership experience and expertise.

Mr Njeru holds a BSc Mathematics (First Class Honors), Master of Business Administration (Finance Option) and a Master of Science Mathematics all from the University of Nairobi. He is also a Certified Public Accountant (CPA), Certified Internal Auditor (CIA) as well as a Certified Internal Audit Quality Assessor (CQA).

He is a member of the Institute of Certified Public Accountants and the Institute of Internal Auditors



5. CHAIRMAN'S REPORT

Dear Members,

It is with great pleasure that I present to you the National Housing Development Fund report for 18 months period that ended 30th June 2021.

The Fund has faced significant progress and challenges in the last 18 Months. As Chairman, I am proud to report on our achievements, outline the challenges we have faced, and present our strategic vision for the future.

Highlights and Achievements:

- **Housing Units Financed:** During the past 18 months, the National Housing Development Fund successfully financed 1,370 housing units and 42 commercial units across at Parkroad Estate. These units represent a significant step towards addressing the housing needs of our communities.
- **Policy Advocacy:** Our organization has been actively engaged in policy advocacy efforts aimed at promoting affordable housing initiatives at both the county and national levels.
- **Partnerships Formed:** We have established key partnerships with government agencies, housing developers, financial institutions, and community organizations to enhance our impact and reach. These partnerships have enabled us to leverage resources and expertise to maximize our effectiveness.
- **Impact on Communities:** The impact of our work on communities has been profound. Through our efforts, we have helped families achieve homeownership, revitalized neighborhoods, and contributed to economic development.

Financial Performance:

- **Revenue:** The fund posted a net investment income of Kshs12.4 million. Its current value as of 30th June 2021 was Kshs. 675 million.
- **As at June 2021** the fund had received contributions and transfers into the fund cumulating to Kshs1.1 billion.
- **Expenses:** Total expenses for the year amounted to Kshs. 2.1 million, with the majority of funds allocated towards administrative and Investments management costs.
- **Financial Stability:** Despite economic uncertainties brought about by the Covid 19 pandemic, the Corporation remains financially stable, with prudent financial management practices in place to ensure long-term sustainability.

Challenges and Risks:

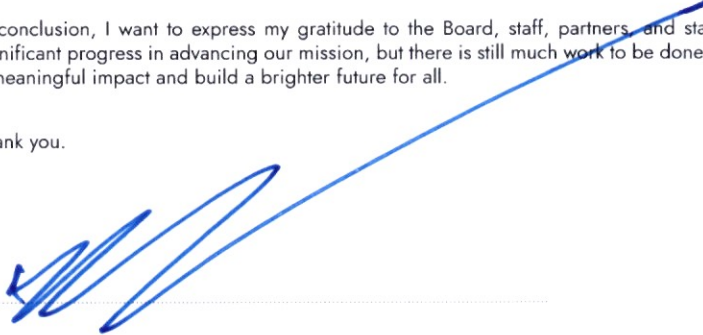
- While we have made significant progress, we continue to face challenges such as funding constraints, regulatory hurdles, etc. These challenges require proactive management and strategic planning to mitigate risks and seize opportunities.

Strategic Priorities and Future Plans:

- Looking ahead, our organization is committed to pursuing the following strategic priorities:
 - Increasing housing affordability
 - Expanding access to financing
 - Enhancing stakeholder engagement
- We will continue to innovate, collaborate, and adapt to changing circumstances to achieve our mission of ensuring access to affordable housing for all.

In conclusion, I want to express my gratitude to the Board, staff, partners, and stakeholders for their dedication and support. Together, we have made significant progress in advancing our mission, but there is still much work to be done. I am confident that with our collective efforts, we will continue to make a meaningful impact and build a brighter future for all.

Thank you.



Hon. Yusuf Chanzu, CBS, OGW, HSC
Chairman of the Board of Directors

6. REPORT OF FUND ADMINISTRATOR

Fund Overview for the 18 months period ended 30th June 2021

During the period under review the world remained within the ravaging throes of the Covid-19 pandemic continuing to disrupt how we work, go to school, and how we interact. In the year 2020 alone, economic output declined by 5.5% as domestic activity declined and global demand for local products – flowers, coffee, tea etc. collapsed. Policymakers acted swiftly to help cushion the impact on the local mwananchi and businesses. These actions included measures to curb a credit crunch, enhanced social protection and health spending and tax cuts. As a result of these measures and an easing in movement restrictions a partial recovery was witnessed in the third quarter of the year. As 2020 drew to a close and moving into 2021 there was a marked increase in economic activity as well as a discontinuation of some of the financial incentives set by the Government namely reduction in VAT and capping of PAYE at 25%.

Into 2021, the economy was expected to recover and gradually return to growth above five percent. This outlook was predicated on an improvement in industry supported by reopening of the economy and strong government spending, a recovery in service provision as the vaccination roll out progressed, adequate agricultural harvests and sales by rising demand from the global economy and a pickup in wages and household incomes.

Fund Performance

The fund posted a net investment income of Kshs. 12.4 million. Its current value as of 30th June 2021 was Kshs. 675 million. As at June 2021 the fund had received contributions and transfers into the fund cumulating to Kshs. 1.1 billion. Further, Kshs. 437 million has been paid out of the fund. The contributions have earned cumulative net investment income of Kshs. 12 million. The fund registered membership as of June 2021 was 325,441.



QS. David Mathu, MBS
Managing Director/CEO

7. CORPORATE GOVERNANCE STATEMENT

• Separation of Duties

The independence of the Board and that of the Corporation's corporate management is achieved through the separation of functions and responsibilities of the Chairman from those of the Managing Director. This helps the Corporation achieve an appropriate balance of power, increased accountability and improved decision making.

• Responsibilities of Directors

Ultimately, the Board determines the Corporation's strategic objectives, values, key policies and procedures in accordance with best established practice. It is responsible for establishing and maintaining the overall internal control of the financial, operational and compliance functions, as well as, monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of the Corporation to the Managing Director. However, it retains overall responsibility for the Corporation's financial performance, compliance with the laws and regulations, and monitoring of its operations as well as ensuring competent management of the Corporation's business.

The Board sets the strategic intent of the Corporation's objectives and values. It ensures that procedures and policies are in place to protect the Company's assets and reputation. The Board reviews the strategic direction and adopts business plans proposed by Management.

• Board Composition

The Board of Directors comprise of nine (9) members: non-executive chairman who is an independent director, six other independent directors and two directors from the public sector representing the Ministry of National Treasury and Economic Planning and State Department for Housing & Urban Development (Ministry of Lands, Public Works, Housing and Urban Development). The directors have a wide range of skills and experience and each contributes independent judgment and knowledge to Board discussions.

• Board Meetings – Information for Directors

The Directors are provided with appropriate and timely information on the Corporation's activities. Equally, Board Members have free access to Management through the Chairman and Managing Director. Regular presentations are made by management to the Board. Board Committees and Directors may seek briefing from management on specific matters as well as seek independent professional advice.

• Oversight Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst reviewing and monitoring proper corporate governance.

The Board retains full and effective control over the Corporation and monitors management's implementation of the set strategic plans. It ensures compliance of relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the code of ethics. It strives to act above and beyond the minimum requirements, and benchmark performance against best practices. In accordance with the principles of good corporate governance, each director undertakes to act in the best interest of the Corporation. Each director is also fully aware that the Board is responsible for determining the Corporation's vision, mission and values, deciding the strategic objectives and ensuring establishment of the organizational structure and procedures to achieve the set objectives.

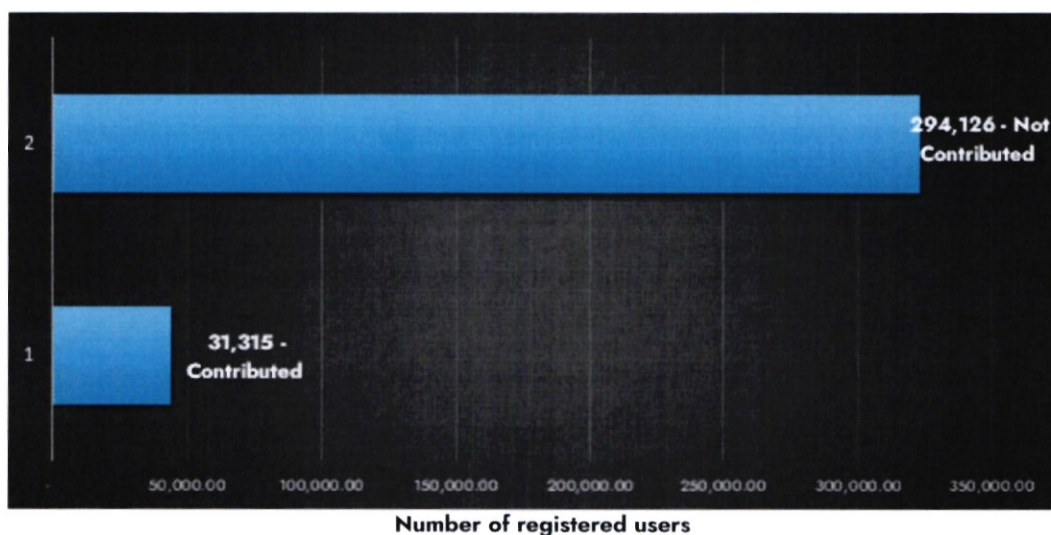
• Conflict of Interest

The Directors are duty-bound to act honestly and in the best interests of the Corporation. Any business transacted with the Corporation must be fully disclosed to the Board consideration and approval. A Director must refrain from discussing or voting on matters with a potential for conflict of interest.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Fund Membership

The Boma Yangu portal is the platform through which the Corporation receives deposits from members of the public towards the purchase of an affordable housing unit. There were 325,441 registered members in the Boma Yangu Portal as at 30th June 2021. Only 10% (31,315) of the total registered members have put in their deposits to the fund, the remaining 90% of the members have never made any contributions. A summary of distribution of contributors is also presented below.



The following is a detailed analysis of the membership movement of the fund for the period under review.

	JUNE 2021 (18 Months)
Contributing Members	
At the Start of the Period	0
New Entrants	31,585
Exiting Members	(270)
At the End of the Period	31,315
Non-Contributing Members	
At the Start of the Period	0
New Entrants	294,126
At the End of the Period	294,126

As at June 2021, 325,441 Kenyans registered in the Boma Yangu portal, of the total registered members, 9.6% (31,315) made contributions to the fund and 270 exited the fund.

Fund Performance

The fund posted a net investment income of Kshs. 12.4 million. Its current value as at 30th June 2021 was Kshs. 675 million.

As at June 2021 the fund had received contributions and transfers into the fund cumulating to Kshs. 1.1 billion. Further, Kshs. 437 million has been paid out of the fund. The contributions have earned cumulative net investment income of Kshs. 12 million. This is summarized below.

Summary of contributions, withdrawals and investment income since inception

ITEM	AMOUNT (Kshs)
Contributions and Transfers into the Fund	741,069,684
Transfers in	358,638,868
Refunds	(71,520,649)
Transfers out	(365,173,818)
Cumulative Net Investment Income	12,441,843
Total Fund Value as at 30.06.2021	675,455,928

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability is at the core of NHC's mission. The Corporation believes in creating a better future for all by investing in initiatives that promote environmental, social, and economic well-being.

Through this report we will be outlining, the Fund's promise to sustainability and also highlight our efforts in making a positive impact through the voluntary contributions from Kenyans.

1. *Social Responsibility:*

Ethical Practices: The Fund upholds ethical practices in investments decisions by ensuring that all investments are made in companies that adhere to the principles of corporate social responsibility, human rights and fair labor practices.

2. *Governance and Transparency:*

Accountability and Stakeholder Engagement: The Fund maintains transparent and accountable governance structures. The Fund also values input from its members and stakeholders and therefore it constantly seeks their feedback and collaboration for purposes of improving on its sustainability practices and performance.

3. *Impact Measurement and Reporting:*

Regular Reporting: The Fund upholds transparency and is committed to being accountable and seeks to continuously improve.

Conclusion:

The National Housing Development Fund recognizes the need to uphold sustainability so as to ensure that we shape a better future for the generations to come. As we continue on our sustainability journey, the Fund assures its stakeholders of its commitment in maximizing the members returns while maintaining the highest standards of integrity, transparency, and accountability.

10. REPORT OF THE TRUSTEES/DIRECTORS

The Directors submit their report together with the audited financial statements for the 18 Months ended June 30, 2021, which show the state of the Fund's affairs.

i. Principal Activities

The principal activities of the Fund are;

- Develop decent, sustainable and affordable houses for Kenyans
- Mobilize funds from both local and international sources for development
- Forge partnerships with County governments and other private developers.

ii. Performance

The performance of the fund for the 18 Months ended June 30, 2021, are set out on pages 1 - 4.

iii. Directors

The members of the Board of Directors who served during the period are shown on page iv.

iv. Auditors

The Auditor-General is responsible for the statutory audit of NHC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



William K. B. Keirany
Corporation Secretary

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, the State Corporation Act, Cap 446 section 14 and Cap 117 of the Laws of Kenya require the Directors to prepare financial statements each year, which give a true and fair view of the state of affairs of the Fund at the end of the period and the operating results of the fund for the 18 months. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the period ended on 30th June, 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 corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of the Corporation's transactions during the period ended 30th June, 2021, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the fund, which have been relied upon in the preparation of the fund's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 2023 and signed on its behalf by:



Hon. Yusuf Chanzu, CBS, OGW, HSC
Chairman of the Board of Directors



QS. David Mathu, MBS
Managing Director/CEO

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOUSING DEVELOPMENT FUND FOR THE EIGHTEEN (18) MONTHS PERIOD ENDED 30 JUNE, 2021

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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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

Adverse Opinion

I have audited the accompanying financial statements of National Housing Development Fund set out on pages 1 to 10, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net

assets, statement of cash flows 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, because of the significance of the matters discussed in the Basis for Adverse opinion section of my report, the financial statements do not present fairly, the financial position of the National Housing Development 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 do not comply with the Housing Act, Cap 117 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Late Submission of Financial Statements

Contrary to the requirements of Section 84(1a) of the Public Finance Management Act, 2012, the Fund's financial statements for the eighteen months (18) period ended 30 June, 2021 were submitted to the Office of the Auditor-General for audit on 28 September, 2023 over two (2) years after the statutory deadline of 30 September, 2021. Consequently, the statements could not be audited and reported upon. Failure to submit financial statements in time is not only a breach of the law but also affects the work of the Auditor-General in meeting the statutory deadline of submitting the audited report to Parliament within the statutory period of six months after the end of the financial year.

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

2. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and bank balance of Kshs.225,337,712 as disclosed in Note 8 to the financial statements. However, Management did not provide bank confirmation certificates for the balances in support of the cash and bank balance of Kshs.225,337,712.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.225,337,712 could not be confirmed.

3. Unsupported Transfers into the Fund

The statement of cash flows reflects transfers into the Fund balance of Kshs.358,638,868 as disclosed in Note 15 to the financial statements. The balance comprises of amounts of Kshs.324,711,129 transferred from a local bank and Kshs.33,927,739 relating to deposits from forty-six (46) beneficiaries of the Ngokamka Association.

At the initial stage of the affordable housing programme, the State Department for Public Service engaged Huduma Kenya to register members and manage collection of deposits

from Boma Yangu project. The funds were deposited in a collection account held at a local bank. According to documents and correspondences provided for audit, the Principal Secretary, State Department for Public Service and Managing Director/CEO of the bank gave the following instructions;

- a) Termination of the Boma Yangu Collections Service;
- b) Provision of Transaction Reports and
- c) Transfer of all Collections to the Fund's (NHC-NHDF) Collection Account held at another Bank.

The State Department for Housing and Urban Development also asked to be provided with Boma Yangu reports on all Boma Yangu successful contributions, transaction reports from the first customer to the date of terminating collections through the local bank. The State Department further instructed the local bank to cease further collections and facilitates transfer of all remaining Boma Yangu collections as described, to another commercial bank collection account which is the current collection account for the Fund.

However, review of records further revealed the following:

- (i). The authority from The National Treasury to open an account for the Boma Yangu project with the local bank was not provided for audit.
- (ii). The cash book and bank reconciliation statements and other relevant documents relating to the account held at a local bank for the collections of the Fund before the termination of collection and closure of the account were not provided for audit.
- (iii). It was not possible to confirm whether funds collected through the local bank were wholly transferred to the commercial bank since there were no documents showing the amount collected and held at the local bank account at the date of termination of collections. Further, there were no transaction reports for the closed local bank collection Account.

In the circumstances, the accuracy and completeness of the transfer in to the Fund balance of Kshs.358,638,868 could not be confirmed.

4. Unsupported Transfers Out of the Fund

The statement of cash flows reflects transfers out of the Fund balance of Kshs.365,173,818 and as disclosed in Note 17 to the financial statements. Included in the balance is an amount of Kshs.336,000,000 in respect of transfers to the State Department of Housing and Urban Development. Review of correspondences between the State Department and National Housing Corporation (NHC) provided for audit, revealed that the amount was to be paid to a Contractor being part payment of the contract sum for the construction of Park Road Housing Project. However, in a letter dated 05 May, 2021, NHC instructed the Administrator of Fund, to transfer the amount to Civil Servants Housing Scheme Fund deposit account held at a local bank. Management did not provide documents to support the existence of obligation by the Fund to pay the amounts and the amounts payable or why the money was not paid directly to the Contractor.

Further, although Management provided the contract agreement between the Contractor and the State Department, the certificate of partial completion and previous payments made to the Contractor were not provided for audit .

In the circumstances, the accuracy and completeness of the transfers out of the Fund balance of Kshs.365,173,818 could not be confirmed.

5. Unconfirmed Members' Deposits

The statement of the financial statements reflects members deposits' balance of Kshs.663,014,085 and as disclosed in Note 11 to the financial statements. However, review of members deposit records, revealed the movement of the members' deposits balance was not adequately supported with regards to members contributions, refunds to members or transfer to National Housing Corporation (NHC) upon the acquisition of houses by members.

In the circumstances, the accuracy and completeness of the members' deposits balance of Kshs.663,014,085 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Housing Development 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 Adverse 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Presentation and Disclosures in the Financial Statements

Review of the Fund's financial statements revealed that Management did not prepare the statement of comparison of budget and actual amounts as required by the Public Sector Accountant Standards Board (PSASB).

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Long Outstanding Other Payables

The statement of financial position and Note 12 to the financial statement reflects other payables balance of Kshs.2,027,606. The balance relates to outstanding fund management fees, administration fees and custodial fees as at 30 June, 2021 with amounts dating back to September, 2019.

In the circumstances, the Fund risks incurring avoidable and unnecessary additional costs of interest and penalties on the continued delay in settlement of the other amounts balance.

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease its 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.

The Board of Directors is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

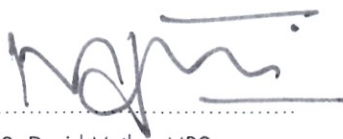
Nairobi

12 August, 2024

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE 18 MONTHS ENDED 30TH JUNE 2021

DESCRIPTION	NOTES	2020/2021 (18 Months)
		Kshs
Revenue		
Interest Income	6	14,570,479
Total Revenue		14,570,479
Expenses		
Use of Goods and Services	7	2,128,636
Total Expenses		2,128,636
Surplus	13	12,441,843
Attributable to Members		12,441,843

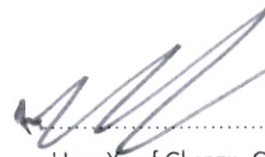
The fund's financial statements were approved by the Board on and signed on its behalf by:



QS. David Mathu, MBS
Managing Director/CEO



CPA Joel Gatune
General Manager Finance
ICPAK No. 3200

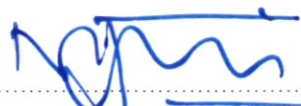


Hon. Yusuf Chanzu, CBS, OGW, HSC
Chairman of the Board of Directors

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

DESCRIPTION	NOTES	2020/2021 (18 Months)
		Kshs
ASSETS		
Current Assets		
Cash and Bank Balance	8	225,337,712
Interest Receivable	9	12,145,822
Investments in Financial Assets	10	440,000,000
Total Current Assets		677,483,534
Total Assets		677,483,534
Current Liabilities		
Member Deposits	11	663,014,085
Other Payables	12	2,027,606
Total Current Liabilities		665,041,691
Net Assets		
Accumulated Surplus	13	12,441,843
Total Accumulated Surplus		12,441,843
Total Net Assets and Liabilities		677,483,534

The fund's financial statements were approved by the Board on and signed on its behalf by:



QS. David Mathu, MBS
Managing Director/CEO



CPA Joel Gatune
General Manager Finance
ICPAK No. 3200



Hon. Yusuf Chanzu, CBS, OGW, HSC
Chairman of the Board of Directors

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE 18 MONTHS ENDED 30TH JUNE 2021

	MEMBERS DEALINGS	ACCUMULATED SURPLUS	TOTAL
	Kshs	Kshs	Kshs
1ST JULY 2020	-	-	-
Contributions Received (Note 14)	741,069,684		741,069,684
Transfer into the Fund (note 15)	358,638,868		358,638,868
Refunds (Note 16)	(71,520,649)		(71,520,649)
Transfer, Out of the Fund (Note 17)	(365,173,818)		(365,173,818)
Surplus / (Deficit) for the period (Note 13)	-	12,441,843	12,441,843
GOK Fund received during the Year	-	-	-
30TH JUNE 2021	663,014,085	12,441,843	675,455,927

16. STATEMENT OF CASH FLOWS FOR THE 18 MONTHS ENDED 30TH JUNE 2021

DESCRIPTION	NOTES	2020/2021 (18 Months)
		Kshs
		Kshs
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Contributions Received	14	741,069,684
Transfers into the Fund	15	358,638,868
Total Receipts		1,099,708,552
Payments		
Refunds	16	(71,520,649)
Transfers out of the Fund	17	(365,173,818)
Administrative Expenses		(17,834)
Total Payments		(436,712,301)
Net Cashflow from Operating activities		662,996,251
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received		2,424,657
Investment Management Expense		(83,196)
Purchase of Treasury Bills		
Proceeds from Disposal of Treasury bills		
Net Cash Flows From Investing Activities		2,341,461
Increase / (Decrease) in cash and cash equivalents		665,337,712
Bank Balance		225,337,712
Term Deposits		440,000,000
Cash & Cash Equivalents at the end of the period		665,337,712

17. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

National Housing Corporation (NHC) is established by and derives its authority and accountability from an Act of Parliament, Cap. 117 of the Laws of Kenya. NHC is wholly owned by the Government of Kenya and is domiciled in Kenya. NHC's primary activity is to play a principal role in the implementation of the Government's Housing policy.

For Kenyan Companies Act reporting purposes, the balance sheet is reported as the statement of financial position and the profit and loss account as the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement of 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 Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. There are currently no areas involving a higher degree of judgement or complexity, or where assumptions and estimates made are significant to the financial statements.

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

The financial statements have been prepared in accordance with the Public Finance Management (PFM) Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied in all the quarters presented.

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretation in issue but not yet effective in the year ended 30th June 2021.*

TITLE	DESCRIPTION	EFFECTIVE DATE
IAS 1 Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. Further the board has issued 'Classification of Liabilities as Current or Non-Current providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022, however, their effective date has been delayed to 1 January 2023 and are to be applied retrospectively. Effect The corporation will not be affected by these changes as this is a continuation of the practice.
IAS 8 Accounting Policies, Changes in accounting Estimates and Errors (Amendments on accounting estimates)	In February 2021, the IASB issued 'Definition of Accounting Estimates to help entities to distinguish between accounting policies and accounting estimates.	The amendment is effective for annual reporting periods beginning on or after January 1, 2023.
IAS 16 Property, Plant and Equipment (amendments regarding proceeds before intended use).	On 14th May 2020, the IASB issued amendments regarding proceeds from selling items procured while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	The amendments are effective for annual reporting periods beginning on or after June 1, 2022.

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial period.

4. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of a product or service to a customer.

- i. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- ii. **Dividend income is recognised in the income statement in the period in which the right to receive the payment is established.**
- iii. **Other income** is recognised as it accrues.

b) In-kind contributions

The fund did not receive any form of in-kind contributions during the period under review.

c) Trade and Other Receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectable amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the period end. Bad debts are written off after all efforts at recovery have been exhausted.

d) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

e) Cash and Cash Equivalents

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

f) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Corporation or not, less any payments made to the suppliers.

g) Exchange Rate Differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period - end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

h) Comparative Figures

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

i) Subsequent Events

There have been no events subsequent to the financial period end with a significant impact on the financial statements for the period ended 30th June 2021.

j) 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.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund's financial statements in conformity with IFRS 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.

i. 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 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.

ii. Useful lives and residual values

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

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

6. Investment Income

	2020/2021 (18 Months)
	Kshs
Interest on fixed deposits	14,570,479
Total	14,570,479

7. Use of Goods and Services

	2020/2021 (18 Months)
	Kshs
Investment Management Expenses	
Fund Management Fees	556,081
Custodian Fees	177,257
Administrative Expenses	
Fund administration fees	1,377,464
Bank Charges	17,834
Total	2,128,636

The fund management fees is invoiced at the rate of 0.2088% of the total Fund value at the end of the month. The custodial fees is based on 0.05568% of the Fund value at the end of the month.

The administration fee is computed every quarter at 0.187% of the assets under the management of the Administrators.

8. Cash and Bank Balances

	2020/2021 (18 Months)
	Kshs
KCB Collection Account	224,938,426
KCB Investment Account	399,286
Total	225,337,712

9. Interest Receivable

	2020/2021 (18 Months)
	Kshs
Interest receivable from Treasury Bills	12,145,822
Total	12,145,822

10. Investments In Financial Assets

	2020/2021 (18 Months)
	Kshs
Term Deposits	440,000,000
Treasury Bills	
Total	440,000,000

11. Members Deposits

	2020/2021 (18 Months)
	Kshs
Deposit	663,014,085
Total	663,014,085

12. Other Payables

	2020/2021 (18 Months)
	Kshs
Fund Management Fees	556,081
Fund Administration	1,377,464
Custodial Expenses	94,061
Total	2,027,606

The fund management fees, administration fees and custodial fees payable relate to amounts owing.

The fund administration fees payable relates to fees from September 2019 to June 2021. The fees charged is at 0.187% of the assets under management (VAT inclusive) at the end of the quarter.

The fund management fees payable relate to January 2021 to June 2021 fees. The fee is charged at 0.2088% of the funds under management (VAT inclusive) at the end of the month.

The custodial fees payable relates to fees from March 2021 to June 2021, The fee is charged at 0.05568% of the fund value (VAT inclusive) at the end of the month.

13. Accumulated Surplus

	2020/2021 (18 Months)
	Kshs
Opening Balance	-
Profit for the period	12,441,843
Total	12,441,843

14. Contributions Received

	2020/2021 (18 Months)
	Kshs
Contributions to the Fund	741,069,684
Total	741,069,684

This relates to amounts contributed by the members of the Fund.

15. Transfers into the Fund

	2020/2021 (18 Months)
	Kshs
National Housing Corporation	324,711,129
Housing Finance	33,927,739
Total	358,638,868

The transfers relating to contributions of Kshs. 324,711,129 are amounts received from Equity Bank. These amounts were transferred in 3 tranches to the fund's KCB custody collection account.

The transfer of Housing Finance relates to deposits from 46 beneficiaries of the Ngokamka Association. The deposits relate to savings towards purchase of Park road.

16. Refunds

	2020/2021 (18 Months)
	Kshs
Withdrawals from the Fund	71,520,649
Total	71,520,649

The withdrawals relate to deposit amounts for the members of the public who have not been allocated a housing unit and who opted to withdraw their deposit.

17. Transfers out of the Fund

	2020/2021 (18 Months)
	Kshs
SDHUD - 3rd Milestone Balance	336,000,000
National Housing Corporation	29,173,818
Total	365,173,818

The payment of Kshs. 336 million is transfer of deposits of successful Park Road applicants. The amounts were transferred to the Park Road contractor as the 3rd milestone balance for the development of the project.

The transfer of Kshs. 29,173,818 is amounts transferred to NHC. These amounts were erroneously received from the State Department of Housing and Urban Development, the state department was settling its debts with NHC.

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