


REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

**NATIONAL HOUSING
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**

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

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NATIONAL HOUSING DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended
30th June 2022

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



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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 year were as follows:

Name	Position
1. Eng. Stephen Ngare	Chairman (Exited 9th February 2022)
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 (Exited 2nd May 2022)
9. Dr. Habil Olaka	Director
10. Patricia Nyambura Gathuri	Director
11. Caroline Armstrong - Ogwapit	Director
12. Violet Mwikali Mbindyo	Director (From 3rd May 2022)
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 (Exited 9th February 2022)

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

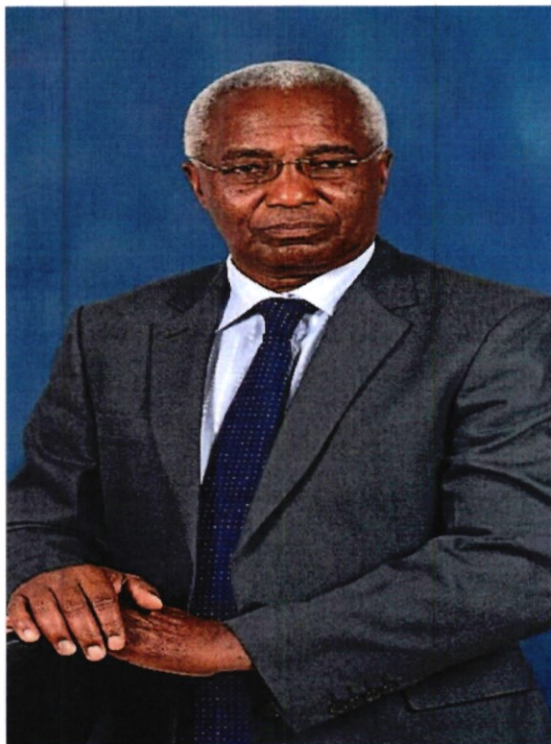
Principal Secretary, State Department of Housing and Urban Development

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 (Exited 2nd May 2022)

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.

Ms. Violet M. Mbindyo

Director (From 3rd May 2022)

Ms. Violet Mwikali Mbindyo is an accomplished entrepreneur with a track record of establishing enterprises that serve the needs in the market while driving shareholder value.

Originally from a banking background, Ms. Mbindyo brings with her expertise in banking and foreign exchange management, real estate valuation, development and management as well as consultancy services.

Ms. Mbindyo is the founder and chief executive officer of the Nairobi Bureau De Exchange- Kenya. She is also a Principal Partner and founder of the Black Teak Holdings- Kenya as well as a founding member of the Kenya Forex and Remittance Association.

She has previously held the Company Director and Venture Capitalist position at Cash Swift Limited and has served as a Management Officer at the National Bank of Kenya.

Ms. Mbindyo is passionate about social impact and is a significant contributor and leader, having supported and continuing to support several social causes and organizations that positively impact the community.

She is currently serving on the Boards of the Kenya Forex and Remittances Association as the National Treasurer, Rotary Club Nairobi- Muthaiga North, Black Teak Holdings Ltd and Nairobi Bureau de Change Ltd.





Dr. (Qs) Patrick M. Bucha, PhD, MBS

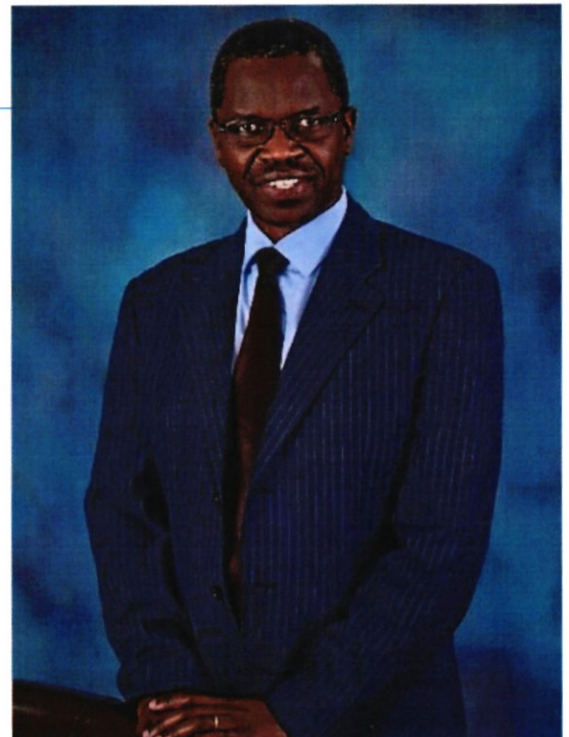
Ag. Managing Director

Dr. (Qs). Patrick Bucha is currently the Ag. Managing Director, he has been seconded from the State Department for Housing and Urban Development. He holds a Masters degree in Building Management and a Bachelors degree in Building Economics both from the University of Nairobi and currently pursuing a PhD in Leadership and Governance. He served as a part time lecturer in Architectural Department, University of Nairobi. He is a registered Quantity Surveyor and has worked with the Government for over 30 years in various positions including Deputy Director Housing, Programme Coordinator, Kenya Slum Upgrading Programme (KENSUP), Project Manager, Civil Servants Housing Programme and Director of Estates Management in charge of all government houses. He previously served as Managing Director, National Housing Corporation and chaired a team on housing bond issue and capital restructuring of the Corporation. Currently, he serves as the Secretary Housing in the State Department for Housing and Urban Development in charge of implementing the Housing Agenda under the Big 4, formulation of housing policies as well as coordinating implementation of National Police and Kenya Prisons Services Housing Slum Upgrading and Civil Servants Housing. His Excellency the President honored him with Moran of the Burning Spear (MBS) on 12th December, 2011 for his contribution in the housing sector.

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



Dr. (Qs) Patrick M. Bucha, PhD, MBS

Ag. Managing Director

Dr. (Qs). Patrick Bucha is currently the Ag. Managing Director, he has been seconded from the State Department for Housing and Urban Development. He holds a Masters degree in Building Management and a Bachelors degree in Building Economics both from the University of Nairobi and currently pursuing a PhD in Leadership and Governance. He served as a part time lecturer in Architectural Department, University of Nairobi. He is a registered Quantity Surveyor and has worked with the Government for over 30 years in various positions including Deputy Director Housing, Programme Coordinator, Kenya Slum Upgrading Programme (KENSUP), Project Manager, Civil Servants Housing Programme and Director of Estates Management in charge of all government houses. He previously served as Managing Director, National Housing Corporation and chaired a team on housing bond issue and capital restructuring of the Corporation. Currently, he serves as the Secretary Housing in the State Department for Housing and Urban Development in charge of implementing the Housing Agenda under the Big 4, formulation of housing policies as well as coordinating implementation of National Police and Kenya Prisons Services Housing Slum Upgrading and Civil Servants Housing. His Excellency the President honored him with Moran of the Burning Spear (MBS) on 12th December, 2011 for his contribution in the housing sector.

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,

I am pleased to present the annual report of the National Housing Development Fund for the fiscal year 2021/2022. It is with great pride that I reflect on our Corporation's achievements, challenges, and ongoing commitment to addressing the critical issue of housing affordability in our nation.

The National Housing Development Fund continues to be at the forefront of efforts to provide affordable housing solutions for individuals and families across our country. Our mission remains steadfast: to ensure that every citizen has access to safe, decent, and affordable housing.

During the past year, we have successfully completed housing units at Park Road estate, which was the first flagship project under the Affordable Housing Project completed in December 2020. These units represent tangible progress towards our goal of bridging the gap between housing demand and supply.

Despite the economic uncertainties brought about by the aftermath of Covid 19 and the global economic meltdown, coupled with the Russia-Ukrainian war, the Corporation has maintained a stable financial position, with total revenue of Kshs. 56.5 Million as at 30th June, 2022 and expenditures of Kshs. 4.2 Million. This prudent financial management has enabled us to continue our operations effectively and sustainably.

In the financial year under review, the Corporation noted a one percent growth in the fund membership and a six per cent increase in the number of people who are contributing to the Fund.

While we celebrate our achievements, we recognize that significant challenges remain. The ongoing shortage of affordable housing, coupled with rising construction costs and land prices, presents formidable obstacles to our mission.

However, we also see opportunities for innovation and collaboration. By harnessing technology, exploring alternative financing mechanisms, and engaging with communities, we can develop creative solutions to address these challenges and expand access to affordable housing.

Looking ahead, the Corporation remains committed to our strategic priorities, including increasing the supply of affordable housing through targeted partnerships especially with the counties, enhancing housing affordability through policy advocacy and regulatory reform, promoting sustainable and inclusive housing development practices that prioritize the needs of low-income and vulnerable populations.

I am optimistic about the future and remain steadfast in our belief that by working together, we can make meaningful progress towards achieving our vision of a nation where everyone has a place to call home.

In conclusion, I would like to express my gratitude to the dedicated members of our Board, the hardworking Staff of the National Housing Development Fund, our valued partners, and all those who support our mission. Your unwavering commitment and tireless efforts are the driving force behind our success.

As we continue our journey to build a more equitable and inclusive society, let us remain resolute in our pursuit of housing justice for all.

Thank you.



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

6. REPORT OF FUND ADMINISTRATOR

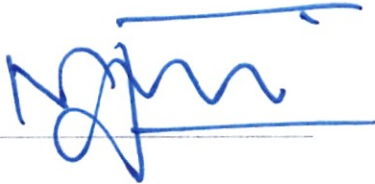
Fund Overview for the Financial Year 2021/2022

As we meet, we are currently operating in a very challenging economic environment with the global activities that are taking place - the Russia-Ukraine conflict and its impact on global supply chains, central banks of developed countries raising interest rates to try and stem rising inflation, the rising cost of oil being cases in point. Our economy has not been immune to these activities and as a result we have seen inflation go up, interest rates rise in response, foreign investors leaving our markets and a weakening currency. All these factors have had an impact on the value of the Fund's assets.

Fund Performance

The value of the Fund stood at Kshs. 1,268,870,678 as at 30.06.2022, The Corporation noted a 1 % growth in the fund membership and a 6% increase in the number of people who are contributing to the fund. This is an indication that Kenyans have a desire to own a home and are willing to save towards the home ownership goal.

We are happy to report that in the financial year under review, 597 Boma Yangu members were allocated houses at the Parkroad Affordable Housing project which was the first flagship project under AHP completed in December 2020.



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

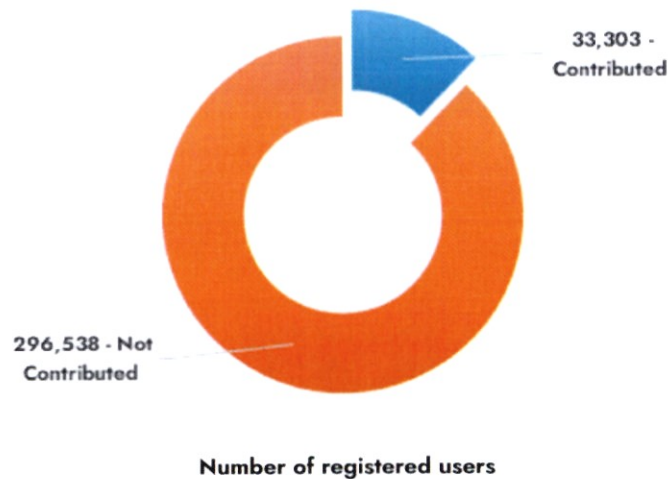
The Directors are duty-bound to act honestly and in the best interests of the Corporation. Any business transacted with the Corporation must be fully disclosed to the Board consideration and approval. A Director must refrain from discussing or voting on matters with a potential for conflict of interest.

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 329,841 registered members in the Boma Yangu Portal as at 30th June 2022. Only 10% (33,303) 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 2022 (12 Months)	JUNE 2021 (18 Months)
Contributing Members		
At the Start of the Year	31,315	0
New Entrants	2,571	31,585
Exiting Members	(583)	(270)
At the End of the Period	33,303	31,315
Non-Contributing Members		
At the Start of the Year	294,126	0
New Entrants	2,412	294,126
At the End of the Period	296,538	294,126

The Corporation noted a 1 % growth in the fund membership and a 6% increase in the number of people who are contributing to the fund. This is an indication that Kenyans have a desire to own a home and are willing to save towards the home ownership goal.

Fund Value

The value of the Fund stood at Kshs. 1.2 billion as at 30.06.2022 and are held by the Custodian in the collection and custody accounts.

Contributions and Withdrawals

Since inception of the Fund, the Corporation has so far received Kshs. 2 billion and Kshs. 866 million has been paid out of the fund. The contributions have earned cumulative net investment income of Kshs. 64 million. This is summarized below.

Summary of contributions, withdrawals and investment income since inception

PORTFOLIO	AMOUNT HELD (Kshs)
Contributions and Transfers into the Fund since Inception	2,070,537,730
Withdrawals from the Fund (Inception to date)	(866,372,356)
Cumulative Net Investment Income	64,705,304
Total Fund Value as at 30.06.2022	1,268,870,678

Beneficiaries of the Parkroad Scheme

The Corporation is pleased to report that 597 Boma Yangu members are now home owners at the Parkroad Affordable Housing project which was the first flagship project under AHP completed in December 2020.

Typologies of units constructed

Typology	Size (SQM)	No of Units	Selling Price
3BR	80	260	4,000,000.00
3BR	60	546	3,550,000.00
2BR	60	228	3,000,000.00
2BR	40	273	2,000,000.00
1BR	30	63	1,500,000.00



The project comprises 1370 no. residential units and 43 no. Commercial shops. Allocation to the units was done to members of the public, State agencies and the Civil Servants Housing Scheme as per the summary in the table below.

Allocation of Parkroad

Allocation	No. of Units allocated
Civil Servants Housing Scheme	548
Public Agencies	225
Boma Yangu - Members of the Public	597
Total No. Of Units	1370

The beneficiaries of Parkroad all paid the initial deposit to the fund (Boma Yangu). The purchasers were given the option to purchase a housing unit through the tenant purchase scheme, cash or mortgage. All offers to Public Agencies were on cash & mortgage.

Those who received offers to pay within 90days (cash/mortgage terms) also paid the balances to the Fund. However, those who received offers on Tenant Purchase continue to pay the monthly installments directly to the Corporation. It also important to note members of the public continue to save as they await allocation of upcoming projects.

The following is a detailed analysis of the allocation by terms of payment

Allocation by Terms of Payment

Allocation	No. of Units allocated	Remarks	
Civil Servants Housing Scheme	548	Mortgage	
Public Agencies	225	Cash & Mortgage	
Boma Yangu - Public	597	361	TPS Terms
		236	Cash & Mortgage
Total No. Of Units	1370		

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 year ended June 30, 2022, 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 year ended June 30, 2022, are set out on page 1 - 5.

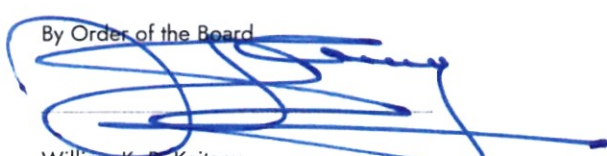
iii. Directors

The members of the Board of Directors who served during the year 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. Keitany
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 financial year and the operating results of the Fund for that year. 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 financial year ended on 30th June, 2022. 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.

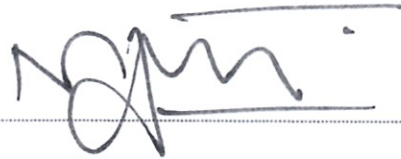
The Directors accept responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the 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 financial year ended 30th June, 2022, 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.

Approved on behalf of the Board:

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



Q&S. 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 YEAR ENDED 30 JUNE, 2022

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 12, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

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

In my opinion, 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 National Housing Development Fund as at 30 June, 2022, 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 year ended 30 June, 2022 were submitted to the Office of the Auditor-General for audit on 28 September, 2023 over one (1) year 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 affect 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 end of the financial year.

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

2. Inaccuracies in the Trial Balance

The trial balance provided for audit in support of the financial statements contains information, balances and entries which were not clear on what they represented since they do not relate to the balances in the financial statements. Management did not explain this unsatisfactory situation.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3. Unsupported Transfers Out of the Fund

The statement of cash flows reflects transfers out of the Fund balance of Kshs.322,822,651 and disclosed in Note 19 to the financial statements. Review of records, revealed the balance includes an amount of Kshs.170,954,096 in respect of State Department of Housing and Urban Development – milestone balance. The amount was to be paid to a contractor as part payment of the contract sum for the construction of Park Road Housing Project. However, the amount was transferred to the Civil Servant Housing Scheme Fund deposit account held at a local bank, instead of directly to the contractor.

Further, the balance included an amount of Kshs.26,536,127 transferred to Civil Servants Housing Scheme Fund being deposits by members of the Scheme Fund paid into the National Housing Development Fund. In addition, it was not clear why the funds for the members were transferred to Civil Servants Housing Scheme Fund yet the members were allocated houses at Park Road Project.

In the circumstances, the accuracy and completeness of the transfers out of the Fund balance of Kshs.322,822,651 could not be confirmed.

4. Unconfirmed Members' Deposits

The statement of the financial position reflects members deposits' balance of Kshs.1,204,165,374 and as disclosed in Note 13 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 transfers to National Housing Corporation (NHC) upon the acquisition of houses by members.

In the circumstances, the accuracy and completeness of the members' deposit balance of Kshs.1,204,165,374 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 matters discussed in the Basis for Adverse Opinion section 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

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 14 to the financial statements reflects other payables balance of Kshs.4,351,945 which increased by an amount of Kshs.2,324,339 from the previous year's balance of Kshs.2,027,606. The balance relates to outstanding fund management fees, administration fees and custodial fees as at 30 June, 2022 with amounts dating back to January, 2021.

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 payables 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 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 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


14 August, 2024


13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

DESCRIPTION	NOTES	2021/2022	2020/2021 (18 Months)
		Kshs	Kshs
Revenue			
Investment Income	6	53,533,618	14,570,479
Other Income	7	2,975,018	-
Total Revenue		56,508,636	14,570,479
Expenses			
Use of Goods and Services	8	4,245,175	2,128,636
Total Expenses		4,245,175	2,128,636
Surplus	13	52,263,461	12,441,843
Attributable to Members		52,263,461	12,441,843

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


 QS. David Muthu, MBS
 Managing Director/CEO


 CPA Joel Gatune
 General Manager Finance
 ICPAK No. 3200

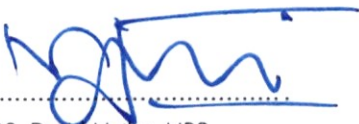

 Hon. Yusuf Chanzu, CBS, OGW, HSC
 Chairman of the Board of Directors





14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

DESCRIPTION	NOTES	2021/2022	2020/2021
		Kshs	(18 Months) Kshs
ASSETS			
Current Assets			
Cash and Bank Balance	9	636,155,839	225,337,712
Interest receivable	10	4,520,818	12,145,822
Term Deposits	11	-	440,000,000
Investments In Financial Assets	12	632,545,966	-
Total Current Assets		1,273,222,623	677,483,534
Total Assets		1,273,222,623	677,483,534
Current Liabilities			
Member Deposits	13	1,204,165,374	663,014,085
Other Payables	14	4,351,945	2,027,606
Total Current Liabilities		1,208,517,319	665,041,691
Reserves			
Accumulated Surplus	15	64,705,304	12,441,843
Total Accumulated Surplus		64,705,304	12,441,843
Total Net Assets and Liabilities		1,273,222,623	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 YEAR ENDED 30TH JUNE 2022

	MEMBERS DEALINGS	ACCUMALTED SURPLUS	TOTAL
	Kshs	Kshs	Kshs
1ST JULY 2020	-	-	-
Contributions(Note 16)	741,069,684		741,069,684
Transfer in(note 17)	358,638,868		358,638,868
Refunds(Note 18)	(71,520,649)		(71,520,649)
Transfer out(Note 19)	(365,173,818)		(365,173,818)
Surplus /(deficit) for the period(Note 15)	-	12,441,843	12,441,843
Fund received during the Year	-	-	-
30TH JUNE 2021	663,014,085	12,441,843	675,455,928
1ST JULY 2021	663,014,085	12,441,843	675,455,928
Contributions(Note 16)	587,220,663		587,529,573
Transfer in(note 17)	382,729,759		382,729,759
Refunds(Note 18)	(105,976,482)		(106,285,392)
Transfer out(Note 19)	(322,822,651)		(322,822,651)
Surplus /(deficit) for the period(Note 15)	-	52,263,461	52,263,461
Fund received during the Year	-	-	-
30TH JUNE 2022	1,204,165,374	64,705,304	1,268,870,678

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022

DESCRIPTION	NOTES	2021/2022	2020/2021 (18 Months)
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Contribution Received	16	587,220,663	741,069,684
Transfer into the Fund	17	382,729,759	358,638,868
Total receipts		969,950,422	1,099,708,552
Payments			
Refunds	18	(105,976,482)	(71,520,649)
Transfer out of the Fund	19	(322,822,651)	(365,173,818)
Administrative Expenses		(1,382,024)	(17,834)
Total Payments		(430,181,157)	(436,712,301)
Net Cashflow from Operating Activities		539,769,265	662,996,251
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received		64,133,640	2,424,657
Investment Management Expense		(538,812)	(83,196)
Purchase of Treasury Bills		(2,454,762,516)	-
Proceeds from Disposal of Treasury bills		1,822,216,550	-
Net Cash Flows From Investing Activities		(568,951,138)	2,341,461
Increase / (Decrease) in cash and cash equivalents		(29,181,873)	655,337,712
Bank Balance at the beginning of the period		665,337,712	225,337,712
Term Deposits		-	440,000,000
Cash & Cash Equivalents at the end of the period		636,155,839	665,337,712

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
		Kshs	Kshs	Kshs	Kshs	
Revenue	"000"	"000"	"000"	"000"	"000"	
Interest Income	32,000.00	-	32,000.00	56,509.00	(24,509.00)	177%
Total income	32,000.00	-	32,000.00	56,509.00	(24,509.00)	177%
Expenses						
Use of Good and services	15,914.00	-	15,914.00	4,245.00	11,669.00	27%
Total expenditure	15,914.00	-	15,914.00	4,245.00	11,669.00	27%
Surplus for the period	16,086.00	-	16,086.00	52,264.00	(36,178.00)	325%

Explanation of Material Variances on Statement of Budget and Actual Comparisons

a) Interest Income

The positive variance is due to an increase in the amount received from the voluntary contributions which was higher than forecasted.

b) Use of Goods & Service

The fund had budgeted to employ staff to handle all matters relating to the fund. However, this did not happen as NHC is currently utilizing it's internal resources to manage the Fund. This action contributed to the positive variance.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

National Housing Development Fund (NHDF) is established by and derives its authority and accountability from an Act of Parliament, Cap. 117 of the Laws of Kenya. NHDF is wholly owned by the Government of Kenya and is domiciled in Kenya. NHDF'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 2022.*

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 January 2023, 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.
IAS 12: Income Taxes	The differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual period beginning on or after 1st January 2023.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. *Early adoption of standards*

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

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 Corporation 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 year 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 year/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 year-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 year end with a significant impact on the financial statements for the year ended 30th June 2023.

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 Entity'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

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Interest on treasury bills	37,304,268	
Interest on fixed deposits	16,229,350	14,570,479
Total	53,533,618	14,570,479

7. Other Income

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Interest on bank deposits	2,975,018	
Total	2,975,018	-

8. Use of Goods and Services

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Investment Management Expenses		
Fund Management Fees	1,786,713	556,081
Custodian Fees	560,026	177,257
Administrative Expenses		
Fund administration fees	1,893,876	1,377,464
Bank Charges	4,560	17,834
Total	4,245,175	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.

9. Cash and Bank Balances

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
KCB Collection Account	32,118,646	224,938,426
KCB Investment Account	604,037,193	399,286
Total	636,155,839	225,337,712

10. Interest Receivable

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Interest receivable	4,520,818	12,145,822
Total	4,520,818	12,145,822

11. Term Deposits

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Term Deposits	-	440,000,000
Total	-	440,000,000

12. Investments In Financial Assets

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Treasury Bills	632,545,966	-
Total	632,545,966	-

13. Members Deposits

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Deposit	1,204,165,374	663,014,085
Total	1,204,165,374	663,014,085

14. Other Payables

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Fund Management Fees	2,342,794	556,081
Fund Administration	1,893,876	1,377,464
Custodial Expenses	115,275	94,061
Total	4,351,945	2,027,606

The Fund management fees, administration fees and custodial fees payable relate to amounts owing. The Fund administration fees is charged at the rate of 0.187% of the assets under management (VAT inclusive) at the end of the quarter. The Fund management is charged at 0.2088% of the Funds under management (VAT inclusive) at the end of the month. The custodial fees payable is charged at 0.05568% of the Fund value (VAT inclusive) at the end of the month.

15. Accumulated Surplus

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Opening Balance	12,441,843	-
Profit for the Year	52,263,461	12,441,843
Total	64,705,304	12,441,843

16. Contributions Received

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Contributions to the Fund	587,220,663	741,069,684
Total	587,220,663	741,069,684

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

17. Transfers into the Fund

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
County Government of Kakamega	9,600,000	-
Central Bank of Kenya	198,400,000	-
National Treasury	110,000,000	-
National Housing Corporation	-	324,711,129
Housing Finance	-	33,927,739
SDHUD	14,507,809	-
Civil Servants Housing Scheme	50,221,950	-
Kenya Defence Forces	-	-
Total	382,729,759	358,638,868

- i. Transfers from the County Government of Kakamega, National Treasury and SDHUD are amounts due to the Corporation but erroneously remitted to the fund.
- ii. The amounts from the Central Bank of Kenya (CBK) relate to purchase of Parkroad units for CBK staff.
- iii. The Civil Servants Housing Scheme remittance is deposit amounts for the purchase of 19 units at Parkroad for civil servants.

18. Refunds


	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
Withdrawals from the Fund	105,976,482	71,520,649
Total	105,976,482	71,520,649


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

19. Transfers out of the Fund

	2021/2022	2020/2021 (18 Months)
	Kshs	Kshs
SDHUD - 3rd Milestone Balance	170,954,096	336,000,000
National Housing Corporation	119,600,000	29,173,818
NHC Service Charge	5,732,428	-
Civil Servants Housing Scheme	26,536,127	-
Total	322,822,651	365,173,818

- i. The transfer out to the State Department of Housing and Urban Development is the final payment of the 3rd Milestone balance to the contractor being deposits made by successful applicants for the Park Road Development.
- ii. Transfers out to National Housing Corporation relate to refund of amounts paid to the Fund's account erroneously by Kakamega County and the National Treasury. Kakamega County was settling a debt owed to the Corporation while payment by the National Treasury relates to the payment from Judiciary to NHC. The Corporation was to utilize the funds to refurbish CJ's chambers and renovate court rooms in select counties.
- iii. Transfers out to the NHC service charge collection account relates to the legal fees, service charge and management of units under the Tenant Purchase Scheme (TPS) which is being managed by the corporation.
- iv. Transfers to the Civil Servants Housing Scheme (CSHS) relate to beneficiaries of Park Road AHP who were allocated units under CSHS.

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