

REPUBLIC OF KENYA



**REPORT**

DATE: 05 APR 2022

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PRESENT AT  
THE TABLE:

M. NANTUKU MW

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL LAND COMMISSION HOUSING  
SCHEME FUND**

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







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**NATIONAL LAND COMMISSION**

**(HOUSING SCHEME FUND)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>th</sup> JUNE 2021**

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

**NATIONAL LAND COMMISSION-HOUSING SCHEME FUND**  
**Annual Reports and Financial Statements**  
**For the year ended 30 June, 2021**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

The National Land Commission (NLC) is an Independent Constitutional Commission established under Article 67 of the Constitution of Kenya, 2010. It was operationalized through Acts of Parliament that gave effect to Article 67 of the Constitution, namely; the National Land Commission Act, 2012; the Land Act, 2012 and the Land Registration Act, 2012, to carry out its mandate as outlined both in the Constitution and in the aforementioned legislations. The Commission is not subject to direction or control by any person or authority; it is subject only to the Constitution and the law as stated in Article 249 (2) of the Constitution of Kenya.

Mortgage Scheme Fund is established by and derives its authority and accountability from The National Land Commission. The Fund is wholly owned by the Commission and is domiciled in Kenya.

The fund's objective is to facilitate state officers and other public officers within the Commission to benefit from government funded loans to access mortgage facilities.

The Fund's principal activity is to offer low interest loan facilities to members of the commission to purchase houses.

The CEO of National Land Commission being the accounting officer of the Commission was appointed the administrator of the fund

### **b) Principal Activities**

The Fund's principal activity is to offer low interest loan facilities to members of the commission to purchase houses.

### **c) Key Management**

NLC day-to-day management is under the following key organs:

Nine (9) Commissioners comprising of the Chairman and Eight (8) Commissioners. The Commissioners were engaged on a full-time basis. The Commissioners assumed office in December 2019 after the first Commission came to an end in February 2019

The Secretariat is headed by the Ag. Secretary/Chief Executive Officer supported by eleven (11) Directors and Entity coordination offices across the 47 counties. The Entity offices are headed by the Entity coordinators.



**Gershom Otachi B'wonamwa-Chairman**

Commissioner Gershom Otachi is the Chairman of the National Land Commission and a graduate of the University of Nairobi (LLB, 1989). He was admitted to the Bar in 1990. He has been in Legal practice as an Advocate for 29 years, appearing before all levels of Courts and Specialized Tribunals in Civil, Criminal, Land and property, Succession and Election disputes besides practice in other aspects of Commercial law and Conveyancing. He has also simultaneously practiced law in international courts for a period of over twenty years. He has served as the Chairman in two State Corporations; Policy Holders' Compensation Fund (PHCF) and Geothermal Development Company (GDC) for a total of six years. He is a member of the Law Society of Kenya, East African Law Society, International Commission of Jurists (Kenya), International Criminal Bar (ICB), International Association of Defence Lawyers (IADAD), Association of Defence Lawyers at the UNICTR (ADAD) of which he was Vice –Chairman for 6 years and is on the ICC list of Counsel.



**Gertrude Nduku Nguku - Vice-Chair**

Gertrude Nduku Nguku is the Vice Chairperson of the National Land Commission. She is a Kenyan Advocate who was admitted to the bar in 1990. She holds a LLB degree from the University of Nairobi and a Master of Advanced Studies in Peace and Conflict Studies from the European University Center for Peace Studies in Austria. She has researched and written extensively on administrative and management reforms of Kenya land law and policy to end conflict and structural marginalization. She is a recognized United Nations legal and judicial reform expert who has advised governments on issues of land management, adjudication, settlement, investigations and registration. She represented public and private clients during litigation and arbitration of land cases in Kenya and advised International Judge Panels during the investigations, trial and appeal of land, corruption and war crime cases. She managed a United Nations Operations land program as a Deputy Head to investigate, adjudicate and mediate on historical land injustices and illegal occupations in Kosovo, Serbia and Macedonia. As an Advisor of the United Nations Police Commissioner in Timor-Leste, she collaborated with development partners, national and municipality government



authorities to spearhead the development of the first administrative and investigation policy of the police Vulnerable Persons Unit.



**Prof. James K. Tuitoek - Commissioner**

Prof, James K Tuitoek joined the Commission in November, 2019 and brings on board over 35 years' wealth of experience from diverse backgrounds. A research specialist with a bias towards animal science, Prof Tuitoek holds a Ph D from the University of Guelph, Canada, MSc in Animal Science, University of Manitoba Canada and a BSc in Agriculture from the University of Nairobi.

Prof Tuitoek has immense experience in the area of Management and Administration having served in various senior management roles at the Egerton University for a combined period of 19 years, half of which he was at the helm of the University as the Vice Chancellor. Prior to this, he also served as a Lecturer, Dean of Faculty (Agriculture) and Deputy Vice Chancellor (Administration and Finance). Prof. Tuitoek played a key role in the management of University Pension Plans, he was also instrumental in establishing favorable employee/ labor relations and corporate governance.

Prof. Tuitoek is also the Chairman of the Audit & Risk Management Committee of the Commission and a member of other Commission Committees



**Hon. Samwel Kazungu Kambi - Commissioner**

Hon. Commissioner Samwel Kazungu Kambi holds a Master in Business Administration (MBA) from University of East Africa, Baraton and a Bachelor of Arts Degree in Development Studies from the same University. He worked as a Manager at Post Bank from 1990 to 1992. He started his political journey as a Member of Parliament for Kaloleni Constituency from 2007-2012. He served as an Assistant Minister for Medical Services from 2008 to 2013 under the Coalition Government.

In May 2013, Hon. Kazungu Kambi was nominated by President Uhuru Kenyatta as a Cabinet Secretary (CS) for the Ministry of Labor and Social Services, a position he held from 2013 to 2015. During his tenure he was instrumental in spearheading transition of staff from National to the 47 County governments. While at the helm as a Cabinet Secretary for Labor and Social Services, Hon. Kambi oversaw NSSF increase its revenue from Ksh 400m to Ksh. 1.2 billion by the time he was leaving. He revived National Industrial Training Authority (NITA), and was instrumental in the establishment of the National Employment Authority vide an Act of Parliament which seeks to connect job seekers with employers. He enhanced the growth of the National Cash Transfer Program, a support program for the elderly and the disabled from 1000 to over 7000 beneficiaries.

At the Child Welfare Association, he spearheaded establishment of the National Adoption Society and the National Emergency Response, Welfare and Rescue Organization for children through a legal notice No. 58 of 23/05/1955. He has served as the Chairman of Coast Development Authority and also as a Director at the Betting Control and Licensing Board. He is pursuing a Doctorate of Philosophy (PhD) in Finance and Management at Baraton University.





**Hubbie Hussein Al-Haji - Commissioner**

Commissioner Hubbie Hussein Al-haji was the County Executive Committee member in Garissa County having held two different departments for the period between 2013 and 2017. She was first in charge of Agriculture, Livestock, Fisheries and Irrigation for Garissa County, she later held the same position in the department of Health Services; this follows the devolution of service from a national government to a County government. During her tenure several policies have been passed and initiative taken to attain the objective of the ministry. Under the Health docket, Garissa County was ranked as the best County in Kenya in the area of maternal and new borne health, due to enhanced referral mechanism and the established.

Ms. Hubbie is a former Executive Director, and a founding member of Womankind Kenya (WOKIKE). It was founded in 1989 as a welfare society by local Somali pastoral women who were committed to improving the living standards and the level of decision making of their fellow pastoral women and the girls in the North Eastern province. Through her work at the organization, she has been instrumental in helping the community develop and institutionalize unique, innovative approaches to eradicate poverty, human rights abuse and empower women to foster community sustainability.

Ms. Hubbie is also a former member of the Pay Review Board of the Kenya Armed Forces (Kenya Defence Forces) for the year 2009 to 2012. The major responsibility had to continuously review and assess the work condition of the Kenya military personnel and recommend favorable working conditions.

Ms. Hubbie is also a former member of the famous Bomas of Kenya delegates for the Constitution Review; she was an active member of the legal committee, which was then chaired by Prof. Kivutha Kibwana (Current Governor of Makueni County). She played a critical role in looking in to a devolved governance system, the major focus by then was federalism.

In 2006, she was awarded the Ralph Stone Memorial Award in recognition of her leadership in difficult circumstances and exemplary performance. In 2010 the President of Kenya awarded her with the prestigious award of the Order of the Moran of the Burning Spear (MBS) and also the UN Human Rights Office recognised her efforts along with the two other people in Kenya for their outstanding performance in Human Rights advocacy. Ms Hubbie is an expert in Sustainable Development, Livelihood and food security as well as Gender and Human Right.



**Alister Murimi Mutugi - Commissioner**

Commissioner Alister Murimi joined National Land Commission in November 2019. He holds a Bachelor of Science Degree in Land Economics from University of Nairobi, Kenya. He is honored with a Master of Science Degree in Business Administration, Construction and Real Estate at Henley School of Business from University of Reading, in the United Kingdom. Murimi, obtained a Post Graduate Diploma in Project Management in 2006 from Royal Institute of Chartered Surveyors (RICS). He also acquired several Diplomas and Certificates related to planning and management

Murimi is a career Real Estate and Construction expert with over seventeen (17) years' experience gained in diverse and dynamic Real Estate and Construction sectors. He has been in charge of management of various commercial, industrial and residential property portfolios both in Kenya, Tanzania and other major consultancy projects within the region.

He is a Registered Estate Agent (2004), Registered Valuer (2003) and a Full Member of the Institution of Surveyors of Kenya.

Having worked in diverse fields in real estate, Commissioner Murimi brings a wealth of knowledge to the Commission in matters related to land economics, valuation and sustainable development in the land sector.



**Reginald Okumu - Commissioner**

Commissioner Reginald Okumu- is a seasoned professional with 20 (+) years of experience leading both profit and non-profit organizations including being Chairman of the Institution of Surveyors Kenya and Board Member, National Housing Corporation. He has served in various capacities including Chief Operating Officer, Director, Senior Valuer, Real Estate Development Advisor and Commercial Negotiator in different private sector organizations and professional services/consultancy firms. Commissioner Okumu is a Full Member of the Institution of Surveyors of Kenya, Practicing Valuer and Estate Agent by profession. He holds a Master's Degree in



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Business Administration from Strathmore Business School, a Bachelor's Degree in Land Economics from the University of Nairobi, a Post Graduate Diploma in Valuation and Estate Management Surveying from the Institution of Surveyors of Kenya and Certificate in Land Administration in Africa Searching for Land Tenure Security from the World Bank Institute. Commissioner Okumu is well conversant with the land estate sector, having specific expertise on land use and hands on experience in acquisition, development, valuation, management and disposal. Commissioner Okumu professional background, education and experience have contributed to equip him with relevant knowledge and well-rounded skills including negotiations, strategic planning, building teamwork, communication and stakeholder engagement.



Hon. Comm. Tiyah Galgalo

Hon. Tiyah Galgalo is a Commissioner at National Land Commission, Kenya. She is a former legislator, a seasoned public administrator, an educationist and is passionate about mentoring pastoralist girls.

She has vast experience in Consultancy work in Research, Governance, and Education among others. In addition to that, a champion for Disaster Risk Reduction (DRR), Governance & Gender, Monitoring & Evaluation and Resource Mobilization.

Hon. Tiyah Galgalo holds a Bachelors in Education from Kenyatta University and a Masters in Educational Administration and Planning from the University of Nairobi and previously served as the Women Representative for Isiolo County from 2013-2017.

In 2009-2011, Hon. Galgalo served as a Commissioner at Interim Independent Electoral Commission (IIEC) Kenya. 2004-2009 a member of the National Commission on Gender and Development. 2017-2019 a County Executive Committee member (CECM), in charge of public service & county administration, Tourism, Wildlife, Trade Cooperative, Industrialization and Enterprise Development.

During the period of 2008-2009 she served as a Commissioner of Poverty Eradication Commission from. In addition, she was an Emergency Educational Officer and Head of Kisumu Field Office (UNICEF: Kenya County Office) 2008-2009, a Program Officer (Pastoralist Development Network) 2005-2009, also served as the Principal Isiolo Girls High School from 1992-2004. She is a founder member of Foundation for Pastoralists Women (FOPOWA) and patron of Baliti FM Community Radio (Isiolo).



Hon. Comm Esther M. Mathenge

Hon. Esther Murugi Mathenge EGH is currently a Commissioner with the National Land Commission, Kenya who has vast experience on matters of land administration and Valuation and Estate Agents.

She serves as a Council Member to the University of Tangaza. Tangaza University is a constituent college of Catholic University of East Africa (CUEA) working towards a charter. She was appointed in February 2020. The role of the Council is to direct the affairs of the University.

Hon. Esther M. Mathenge is the current chair of the University Council's Corporate Affairs Committee. The role of the Committee is amongst others to oversee the University's compensation and benefits policies, evaluate senior executive performance, oversee succession planning for the senior management and to review and to recommend to the University Council corporate governance guidelines and the Code of Conduct for the University. She is also a trustee of the Nairobi Hospital.

Hon. Esther M. Mathenge has a Master's degree from the UNIVESITA CATTOLICA DEL SACRO CUORE in Global Business and Sustainability in Social Entrepreneurship.

She holds a BA in Land Economics from the University of Nairobi, and is a registered member of the Institute of Surveyors in the Valuation and Estate Agents' Chapter and Land Management Chapter.

Hon. Esther M. Mathenge worked with Government of Kenya as Land Administrator and several real estate companies.

Hon. Esther M. Mathenge has been a member of parliament representing Nyeri Town Constituency from 2008- 2017. As a Member of Parliament, her job was to represent the people; legislate and oversight both the executive and judiciary.

Hon. Esther M. Mathenge has had opportunity to serve as a Minister (currently referred to as Cabinet Secretaries) for two ministries. She was the minister for Gender, Children and Social Affairs. This involved the formulation for the care of children and most vulnerable in society i.e. Elderly and persons with disability (2008-2010).

She also served as the Minister of Special Programmes. The appointment entailed dealing with disasters both manmade and natural. Her responsibilities also required her to formulate disaster management and HIV policies (2010-2013)

Hon. Esther M. Mathenge has a love for women and encourages them to step up and aim high. She has in the past worked very closely with international organization SORPTIMIST INTERNATIONAL Kenyan Chapter. This organization worked with women to improve their social economic and education standards. She served as the Chairperson of the Kenya Chapter in (1998-2001)

### **Fiduciary Management**

The key management personnel who held office during the financial year ended 30 June 2020 and who had direct fiduciary responsibility were:

1	Ag. Secretary/Chief Executive Officer (CEO)	KabaleTacheArero (Mrs)
2	Director, Geo Information Management (GIM)	Prof. David Ndegwa Kuria
3	Director Land Use Planning (DLUP)	Dr. Herbert Luka Musoga
4	Ag. Director Research	Dr.Mary Macharia Wandia
5	Ag. Director Finance & Corporate Planning (DFP)	Mr.Bernard Cherutich Kibet
6	Ag. Director Valuation & Taxation (DVT)	Mr.Fidelis Mburu
7	Director Land Administration (DLA)	Ms. Mercy Muthoni Njamwea
8	Ag. Director Legal Affairs & Enforcement (DLAE)	Mr.Brian Ikol Adungo
9	Ag. Director Human Resource Management (DHRM)	Mr.Ben Bett Tuwai
10	Head Supply Chain Management (HSCM)	Mr. Mohamed Farah
11	Head Audit & Risk Management (HARM)	Mr.Peter Ochuodho Ouma
12	Head, Information & Communication (Technology) (HICT)	Mr. Amos Parletuan Kasaine
13	Ag. Head Communication ,Corporate Affairs & Advocacy	Mr. Elijah Letangule

#### **d) Fiduciary Oversight Arrangements**

##### **Audit and Risk Management Committee**

The Committee is guided by the Audit Committee Charter that outlines its mandate and powers. The main responsibilities include review of financial information, ensuring adherence to and/or compliance with various legislations, professional standards and Commission policies while maintaining oversight on internal control systems. The Committee also reviews, advises and makes recommendations regarding the Commission's risk management. The members of this Committee during the quarter under review were:

Commissioner	Prof. James Tuitoek	-Chairman
Commissioner	Reginald Okumu	-Member
Commissioner	Gertrude N. Nguku	-Member
Ag. HARM,	Mr. Peter Ochuodho	-Secretary

##### **Finance & Planning, SCM, ICT Corporate Communication Advocacy**

The functions of this Committee include guiding on policy, processes and procedures on financial management in the Commission; sourcing for funds to the Commission budget; oversight over the management of funds of the Commission including procurement; and guidance on ICT issues of the Commission including provision of conducive working environment and working tools. The members of this Committee during the quarter under review were:

Commissioner	Hon. Kazungu Kambi	-Chairman
Commissioner	Alister Murimi	-Member
Commissioner	Hubbie Hussein Al Haji	-Member
Commissioner	Hon. Tiyah Galgalo	-Member
HICT	Mr. Amos Parletuan Kasaine	-Secretariat
Ag. DFA,	Mr. Bernard Kibet Cherutich	-Secretariat
Deputy Director	Mr. Samuel Okenyi Odari	-Secretariat
Head SCM	Mr. Mohamed Farah	-Secretariat

##### **Human Resource and Administration Committee**

The functions of this Committee include guiding on policy, processes and procedures on staff management in the Commission; oversight over the management of human capital of the Commission including guidance on human resource management policy, staff recruitment, staff development and remuneration. The members of this Committee during the quarter under review were:

Commissioner	Hubbie Hussein Al Haji	-Chairlady
Commissioner	Hon. Kazungu Kambi	-Member
Commissioner	Hon. Tiyah Galgalo	-Member
Commissioner	Alister Murimi	-Member
Ag. DHRM,	Mr. Ben Bett	-Secretariat



### **Land Administration Natural Resources, GIM and Research Committee**

The functions of this Committee are to advise the Commission on the natural resources and research aspects for sustainable land management; resolve natural resource and land use conflicts among stakeholders; ensure that sustainable land management is achieved by all state agencies responsible for its management; determine the capacity needs of the Commission in achieving its sustainable land management; review policies, guidelines, procedures and processes necessary for the Commission to achieve its mandate in natural resources; determine necessary interventions, at policy and operational levels required for the Commission to realize its oversight roles in natural resources management; determine the types of research necessary to achieve sustainable land management as provided for in the COK Article 67 (2) (d); and ensure that there is adequate communications to the citizens of Kenya on the Commission's mandate in the management of land and land resources.

The Committee discharges some of the most vital functions of the Commission including approval of applications for change of user; approval of applications for allocation of public land; approval of extension of leases; approval of applications for setting apart of trust land; approval of applications for renewal of leases; approval of applications by County Governments for land exchange with individuals for public good; and discharge of approvals relating to or incidental to the functions of the Commission. The members of this Committee during the quarter under review were:

Commissioner	Reginald Okumu	-Chairman
Commissioner	Ester M.Mathenge	-Member
Commissioner	Hubbie Hussein Al Haji	-Member
DNLIMS,	Prof. David Ndegwa Kuria	-Secretariat
Deputy DLA,	Ms. Edith Sandara Olando	-Secretariat
Deputy DLA,	Mr Daniel Rukunga Kithunka	-Secretariat
Ag. Director Research,	Mary Macharia	-Secretariat

### **Land Valuation & Taxation and Land Use Planning Committee**

The Constitutional mandate of this Committee is assessment of tax on land and premiums on immovable property in any area designated by law (Article 67(2) (g)). The Committee sets policy direction and formulates rules, regulations and guidelines in respect to assessment of ground rents and stand premiums of new allocations; acquisition and compensation for public rights of way and wayleave as provided in the Land Act 2012 Sections 142-150; change of user and extension of user; lease renewals and extensions; sub-division of land; assesment and collection of rents, royalties and payments in respect to leases or licences; compulsory acquisition of land both at National and County Government levels. The Committee also provides oversight and guidance on key legal matters affecting the Commission including legal interpretations on the position of the Commission in regard to various cases at hand. The Committee is involved in the prioritisation of the inherited court cases and also any new cases arising out of land transactions. The Committee also guides on alternative dispute resolution methods with the aim of reducing the number of court cases to a bare minimum. Where and when necessary, the Committee seeks clarity from the courts and the Attorney General's office on any grey areas in the written law. The Committee also guides and reviews on investigations related to land matters touching on the Commission. The members of this Committee during the quarter under review were:

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Commissioner	Alistar Murimi	-Chairman
Commissioner	Gertrude N.Nguku	-Member
Commissioner	Hon.Kazungu Kambi	-Member
Commissioner	Ester M.Mathenge	-Member
Ag.DVT	Mr. Fidelis Mburu	-Secretariat
DLUP, Dr.	Herbert Luka Musoga	-Secretariat
DLA,	Ms Mercy Muthoni Njamwea	-Secretariat
Deputy DLUP,	Rose Chelagat Kitur	-Secretariat
Deputy Director Survey,	Sospeter Oduor Ohanya	-Secretariat

**Legal Affairs & Regulatory Committee**

The Committee provides oversight and guidance on key legal matters affecting the Commission including legal interpretations on the position of the Commission in regard to various cases at hand. The Committee is involved in the prioritisation of the inherited court cases and also any new cases arising out of land transactions. The Committee also guides on alternative dispute resolution methods with the aim of reducing the number of court cases to a bare minimum. Where and when necessary, the Committee seeks clarity from the courts and the Attorney General's office on any grey areas in the written law. The Committee also guides and reviews on investigations related to land matters touching on the Commission. The members of this Committee during the quarter under review were:

Commissioner	Gertrude N.Nguku	-Chairlady
Commissioner	Reginald Okumu	-Member
Commissioner	Alistar Murimi	-Member
Commissioner	Hon.Kazungu Kambi	-Member
Ag. DLAE,	Mr. Brian Adungo Ikol	-Secretariat
Deputy DLAE,	Mr. Edmond Kiplagat Gichuru	-Secretariat
Deputy DLAE,	Mr. Antipas O.A Nyanjwa	-Secretariat

**Other Oversight Activities**

NLC has regular liaison with the Parliamentary Committee on land to ensure that issues of land are properly addressed and legislated. Similarly, Parliamentary Committee on Budgetary Appropriations and the National Treasury has oversight on the Commission's budgetary requirements, allocations and utilisation.

**Registered Offices**

**Entity Headquarters**

**e) National Land Commission Headquarters**

Ardhi House  
1<sup>st</sup>Ngong Avenue  
Nairobi, Kenya

**f) Fund Contacts**

**National Land Commission**

P.O. Box 44417 - 00100, Nairobi  
Telephone: 020 2187505  
E-mail: [info@landcomission.go.ke](mailto:info@landcomission.go.ke)  
Website: [www.landCommission.go.ke](http://www.landCommission.go.ke)

**g) Fund Bankers**

National Bank of Kenya  
Upper Hill Branch  
NHIF Building  
P O Box 45219  
GPO 00100  
Nairobi, Kenya

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

## **2. REPORT BY THE SECRETARY/C.E. O**

The National Land Commission Housing Scheme Fund was established in the financial year **2018/2019** with an initial funding of Ksh **39,605,593**.

A Disbursement to the fund of Kshs **27,130,760** FY **2019/2020** and **FY 2020/2021** Kshs **10,151,190** bringing the total funds received to Kshs **76,887,543**

### **VALUE FOR MONEY**

The National Land Commission's Housing Scheme Funds were utilized in accordance with the provisions of Public Finance Management Act 2012 and the purpose for which they were intended for.

### **PROGRESS ON LOAN DISBURSEMENT**

During the financial year **2020/2021** The National Land Commission recovered **Kshs. 6,559,633** no loans were disbursed during the period under review.

  
Kabale Tache Arero  
Ag. Secretary/CEO



### **3. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

#### **Introduction**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer for a national government entity shall prepare financial statements in respect of the entity. when preparing financial statements of each entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives,

- a) The Fund's principal activity is to offer low interest loan facilities to members of the commission to purchase houses.

Progress on attainment of Strategic development objectives

During the financial year **2020/2021** The National Land Commission recovered Kshs. **6,559,633** no loans were disbursed during the period under review

#### **4. STATEMENT OF CORPORATE GOVERNANCE**

NLC day-to-day management is under the following key organs:

Nine (9) Commissioners comprising of the Chairman and Eight (8) Commissioners. The Commissioners were engaged on a full-time basis.

The Secretariat is headed by the Ag. Secretary/Chief Executive Officer supported by eleven (11) Directors and Entity coordination offices across the 47 counties. The Entity offices are headed by the Entity coordinators.

In executing its mandate, the commission has the following oversight committees:

1. Audit and Risk Management Committee
2. Finance and Administration Committee
3. Human Resource Committee
4. Credit committee

##### **Other Oversight Activities**

NLC has regular liaison with the Parliamentary Committee on land to ensure that issues of land are properly addressed and legislated. Similarly, Parliamentary Committee on Budgetary Appropriations and the National Treasury has oversight on the Commission's budgetary requirements, allocations and utilisation

##### **Communication with all Stakeholders**

The Commission is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. They are also given an opportunity to give feedback.

## **5. REPORT OF THE FUND ADMINISTRATOR**

The Fund administrator submits their report together with the unaudited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

### **Principal activities**

The principal activity of the Fund is to offer low interest loan facilities to staff to access mortgages.

### **Auditors**

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

Kabale Tache Arero  
Ag. Secretary/CEO

## **6. STATEMENT OF COMPLIANCE**

The National Land Commission is regulated by various laws and regulations; we are committed to ensuring that we have complied with all the laws and regulations governing government entities.

Financial reporting – Section 84 of the PFM Act (2012) The administrator of a public fund established by the Constitution, an Act of Parliament or Entity legislation shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board.

Not later than three months after the end of each financial year, the administrator of a national public fund shall submit the financial statements prepared under this section to the Auditor - General.

The administrator shall submit a copy of the report to the Cabinet Secretary responsible for the fund.

The National Land Commission Mortgage Scheme Fund complied with these requirements and submitted the reports within the stipulated timelines.



## **7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 84 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Public Fund is 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 June 30, 2021. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (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 Fund;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for 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.

In preparing the financial statements, the Administrator of the Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

***NATIONAL LAND COMMISSION-HOUSING SCHEME FUND***  
***Annual Reports and Financial Statements***  
***For the year ended 30 June, 2021***

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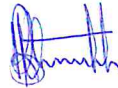
**Approval of the financial statements**

The National Land Commission's Housing Scheme Fund statements were approved and signed by the Accounting Officer on 29th September, 2021



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Kabale Tache Arero  
Ag. Secretary /CEO



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CPA Bernard Kibet Cherutich ICPAK No: 5816  
Ag. Director Finance and Corporate Planning



# REPUBLIC OF KENYA

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Anniversary Towers  
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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL LAND COMMISSION HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### PREAMBLE

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

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

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

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



## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of the National Land Commission Housing Scheme Fund set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Land Commission Housing Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (National Land Commission Housing Scheme Fund) Regulations, 2018.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Land Commission Housing Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

*Report of the Auditor-General on National Land Commission Housing Scheme Fund for the year ended 30 June, 2021*



## **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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 those Charged with Governance**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**22 March, 2022**

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*Report of the Auditor-General on National Land Commission Housing Scheme Fund for the year ended 30 June, 2021*



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**9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from exchange transactions</b>			
Interest income	1	1,392,991	304,059
Other income	2	-	14,000
		<b>1,392,991</b>	<b>318,059</b>
<b>Total revenue</b>		<b>1,392,991</b>	<b>318,059</b>
<b>Expenses</b>			
Fund administration expenses	3	588,211	-
<b>Total expenses</b>		<b>588,211</b>	<b>-</b>
<b>Surplus for the period</b>		<b>804,780</b>	<b>318,059</b>

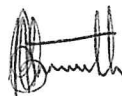
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The National Land Commission's Housing Scheme Fund statements were approved and signed by the Accounting Officer on 29th September, 2021



Kabale Tache Arero

Ag. Secretary /CEO



CPA Bernard Kibet Cherutich ICPAK No: 5816

Ag. Director Finance and Corporate Planning.





**10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	53,883,421	36,367,818
		<b>53,883,421</b>	<b>36,367,818</b>
<b>Non-current assets</b>			
Long term receivables from exchange transactions	5	24,126,961	30,686,594
		<b>24,126,961</b>	<b>30,686,594</b>
<b>Total assets</b>		<b>78,010,382</b>	<b>67,054,412</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		-	-
<b>Non-current liabilities</b>		-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>			
Revolving Fund	6	78,010,382	67,054,412
Reserves		-	-
<b>Total Net Assets</b>		<b>78,010,382</b>	<b>67,054,412</b>
<b>Total Net Assets and Liabilities</b>		<b>78,010,382</b>	<b>67,054,412</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The National Land Commission's Housing Scheme Fund statements were approved and signed by the Accounting Officer on 29th September, 2021



Kabale Tache Arero  
 Ag. Secretary /CEO



CPA Bernard Kibet Cherutich ICPAK No: 5816  
 Ag. Director Finance and Corporate Planning.

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**11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2021**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs		
<b>Balance as at 1 July 2019</b>	39,605,593	-	-	39,605,593
Surplus for the period	-	-	318,059	318,059
Funds received during the year	27,130,760	-	-	27,130,760
Revaluation gain	-	-	-	-
Transfer to Medical Staff	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>66,736,353</b>	-	<b>318,059</b>	<b>67,054,412</b>
<b>Balance as at 1 July 2020</b>	<b>66,736,353</b>	-	<b>318,059</b>	<b>67,054,412</b>
Surplus for the period	-	-	804,780	804,780
Funds received during the year	10,151,190	-	-	<b>10,151,190</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>76,887,543</b>	-	<b>1,122,839</b>	<b>78,010,382</b>

**12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income received	1	1,392,991	304,059
Receipts from other operating activities	2	-	14,000
<b>Total Receipts</b>		<b>1,392,991</b>	<b>318,059</b>
<b>Payments</b>			
Fund administration expenses	3	588,211	-
Adjusting for Loans Receivables		-	(30,686,594)
<b>Total Payments</b>		<b>588,211</b>	<b>(30,686,594)</b>
<b>Net cash flows from operating activities</b>		<b>804,780</b>	<b>(30,368,535)</b>
<b>Cash flows from investing activities</b>			
Transfer from NLC		10,151,190	127,130,760
Proceeds from loan principal repayments	7	6,559,633	-
Loan disbursements paid out			-
<b>Net cash flows used in investing activities</b>		<b>16,710,823</b>	<b>127,130,760</b>
<b>Cash flows from financing activities</b>			
Transfer to Staff Medical Debt			(60,394,407)
Proceeds from revolving fund receipts		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(60,394,407)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,515,603</b>	<b>36,367,818</b>
Cash and cash equivalents at 1 JULY (Beginning)		36,367,818	-
<b>Cash and cash equivalents at 30 JUNE (End)</b>		<b>53,883,421</b>	<b>36,367,818</b>



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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2021	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Interest income	1,400,000		1,400,000	1,392,990	7,010	99%
Other income	-		-	-	-	-
<b>Total income</b>	<b>1,400,000</b>		<b>1,400,000</b>	<b>1,392,990</b>	<b>7,010</b>	<b>99%</b>
<b>Expenses</b>						
Fund administration expenses	600,000		600,000	588,211	11,789	98%
<b>Total expenditure</b>	<b>600,000</b>		<b>600,000</b>	<b>588,211</b>	<b>11,789</b>	<b>98%</b>
<b>Surplus for the period</b>	<b>800,000</b>	-	<b>800,000</b>	<b>804,780</b>	<b>(4,780)</b>	<b>101%</b>

**Budget notes**

1. Expenditure was incurred because the fund is administered by the National bank



## **14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

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

### **2. Adoption of new and revised standards**

#### **a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b>  Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b>  The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

#### **b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b>  The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.  IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

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	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li>   <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li>   <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of</p>

	<p>Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> <p>IPSAS 40, Public Sector Combinations.</p> <p>Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>
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**c) Early adoption of standards**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **3. Revenue recognition**

#### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

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

#### **ii) Revenue from exchange transactions**

##### **Interest income**

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

### **4. Budget information**

The original budget for FY 2019/2020 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations on the FY 2020/2021 budget following the governing body's approval.

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

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

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

## **5. Property, plant and equipment**

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

## **6. Intangible assets**

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

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

## **7. Financial instruments**

### **i) Financial assets**

### **ii) Initial recognition and measurement**

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



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Loans and receivables**

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

### **Held-to-maturity**

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

### **Impairment of financial assets**

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

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### **Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

### **8. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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

## **9. Provisions**

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

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

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

### **Contingent liabilities**

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

### **Contingent assets**

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

## **10. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

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

## **11. Employee benefits– Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate

entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

## **12. Foreign currency transactions**

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

## **13. Borrowing costs**

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

## **14. Related parties**

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

## **15. Cash and cash equivalents**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **16. Comparative figures**

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

### **17. Events after the reporting period**

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

### **18. Ultimate and Holding Entity**

The entity is a Public Fund established by the Act under the National Land Commission. Its ultimate parent is the National Land Commission.

### **19. Currency**

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

### **20. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made: e.g.

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



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Useful lives and residual values**

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

- 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 asset
- Changes in the market in relation to the asset

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

## **21. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **a) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

### **b) Liquidity risk management**

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

### **c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**ii. Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital risk management**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	<b>2021</b>	<b>2020</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve	-	-
Revolving fund	67,054,412	66,736,353
Additional funding	10,151,190	
Accumulated surplus	804,780	318,059
<b>Total funds</b>	<b>78,010,382</b>	<b>67,054,412</b>
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>		

**15. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE,2021**

**1. Interest income**

Description	2020/2021	2019/2020
	KShs	KShs
Interest income on Mortgage Loans	588,211	304,059
Interest income on bank deposits	804,780	
<b>Total interest income</b>	<b>1,392,991</b>	<b>304,059</b>

**2. Other income**

Description	2020/2021	2019/2020
	KShs	KShs
Application Fees		14,000
<b>Total other income</b>		<b>14,000</b>

**3. Fund administration expenses**

Description	2020/2021	2019/2020
Administration costs	588,211	
<b>Total</b>	<b>588,211</b>	<b>-</b>

**4. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KShs	KShs
Mortgage account	53,883,421	36,367,818
Others		
<b>Total cash and cash equivalents</b>	<b>53,883,421</b>	<b>36,367,818</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Detailed analysis of the cash and cash equivalents are as follows:

		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Sub- total			
b) On - call deposits			
Sub- total			
c) Current account			
National Bank of Kenya	01288032980000	53,883,421	36,367,818
Sub- total		53,883,421	36,367,818
Others(specify)			
d) Cash in transit			
Sub- total			
<b>Grand total</b>		<b>53,883,421</b>	<b>36,367,818</b>

**5. Long Term Receivables from exchange transactions**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	
Current loan repayments due	-	
<b>Total Current receivables</b>	-	
<b>Non-Current receivables</b>		
Long term loan repayments due –Housing Loans	19,591,961	26,151,594
<b>Long term loan repayments due –Car Loans</b>	4,535,000	4,535,000
<b>Total Non- current receivables</b>	24,126,961	30,686,594
<b>Total receivables from exchange transactions</b>	<b>24,126,961</b>	<b>30,686,594</b>

**6. Revolving Fund**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Balance at beginning of the period</b>	67,054,412	
Transfer From NLC	10,151,190	127,130,760
Surplus for the Period	804,780	318,059
Transfer to Staff Medical Debts		(60,394,407)
<b>Balance Carried down</b>	<b>78,010,382</b>	<b>67,054,412</b>

**7. Proceeds from loan Principal repayments**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Proceeds from loan Principal repayments</b>		
Proceeds from loan principal repayments	6,559,633	-
<b>Total Proceeds from loan principal repayments</b>	<b>6,559,633</b>	-

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**16. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Note 4 to the financial statements, the statement of financial position reflects balance of Kshs. 30,686,594 under non-current receivables as at 30 <sup>th</sup> June 2020. The balance is made up of long term loan repayments due from mortgage loans of Kshs. 26,151,594 and long term loan repayments due from car loans of Kshs. 4,535,000. However, management has not explained why car loan totalling to Kshs. 4,535,000 were issued from Housing scheme fund, contrary to	At the inception of Mortgage and car loan scheme the Commission received lump sum funding from The National Treasury (Exchequer) being the allocation for the scheme. During that period only the Mortgage bank account was approved by the Commission for operation of the funds. Therefore, it was prudent for the management to transfer all the funds received from exchequer to the mortgage account for disbursement	Bernard Kibet Cherutich – Ag.DFP	Resolved	30-06-2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>paragraph 7(1) of the Public Finance Management (National Land Commission Housing Fund) Regulations, 2018 which states that a loan advanced to a borrower under these regulations shall be utilized for:</p> <p>(a) The purchase of a residential house by borrower;</p> <p>(b) The development of a residential house by a borrower;</p> <p>(c) The purchase of land and development of a residential house by a borrower;</p> <p>Further, the short loan repayment component of the loan advanced has not been disclosed in these financial statements.</p>	<p>before the approval of Car loan account by the Commission. It is true the car loans were issued from the mortgage account because the car loan bank account was not operation by the time funds were disbursed to the car loan beneficiaries. Later the car loan was approved by the Commission to be paid through mortgage account. The recoveries will be reimbursed to mortgage account so as to offset the loan balance. Kshs.4,535,000 from Car loan scheme has been to Mortgage Fund Scheme to</p>			



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Under the circumstance, the validity of long-term loan repayment from car loan of Kshs. 4,535,000 as at 30 <sup>th</sup> June 2020 could not be confirmed.	reflect the correct position as per attached bank statements for the two schemes			